



CPP INVESTMENT BOARD Tracking Public Confidence IV

FINAL REPORT

Submitted to:
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1.0 Introduction

The Canada Pension Plan 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 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 an undue risk of loss.

The ultimate objective of this study is to assist the CPP Investment Board in understanding public confidence in its ability to contribute to the long-term health of the Canada Pension Plan.

This report is the outcome of a fifth public survey investigating confidence in the mandate of the CPP Investment Board — an initial Benchmark Survey conducted in March 2002, followed by four tracking surveys: in September 2002, March 2003, October 2003 and, the most recent, in the last two weeks of April 2004.

In addition to monitoring key benchmarks and confidence variables, the most recent tracking survey develops two new indexes, a Reputation and a Governance Index, and investigates a number of additional issues:

- the impact of awareness of CPP asset safeguards
- the impact of awareness of CPP financing and the joint federal-provincial arrangement
- corporate governance (generic baseline measures for the Governance Index)

The CPP Investment Board and EKOS Research would like to extend our thanks and appreciation to all of those who have generously donated their time by participating in this research.

Organization of the Report

The report begins with an overview of economic confidence and investment markets. Each of the subsequent chapters is organized thematically beginning with an update on key benchmarks of perceptions of the CPP. This is followed by an update on measures relating to investing CPP assets. A new chapter on asset safeguards is based on a series of questions which focus on the impact of legal safeguards on perceptions about the health of the CPP and on concerns about political influence. A chapter on the CPP Investment Board follows with key benchmarks updated, along with findings on media reports relating to the CPP Investment Board. The final chapters of the report include an update on the Confidence Index, and introduction of the new Reputation Index and new Governance Index. The concluding chapter updates private investments and pensions. A technical appendix is also included which discusses the finer details of the Confidence, Reputation and Governance Indexes.

Methodology

The methodology used for the survey results presented in this report is virtually identical to the previous tracking surveys in October 2003, March 2003 and September 2002. One key change is the expansion in the overall sample number from 1,500 to 2,000 cases. This was done to ensure that enough individuals who are aware of the CPP Investment Board would be available to answer questions used to construct the Reputation and Governance Indexes.

The methodology can be summarized as follows:

- A telephone survey of the general public from April 17 and April 30, 2004.
- 2,001 completed interviews with a national random sample of Canadians 18 and over (excluding Quebec)
- Results are valid within +/- 2.2 percentage points, 19 times out of 20 (the margin of error increases for split samples)
- Results have been weighted by age, gender and region according to the most recent Census data to ensure that they are representative of the general population of Canada outside of Quebec
- Comparisons are drawn with the benchmark survey of 2,258 Canadians 18 and over (excluding Quebec) conducted in March 2002, the first tracking survey of 1,526 conducted in September 2002, the second tracking survey of 1,524 conducted in March 2003, and the third tracking survey of 1,406 conducted in October 2003.

2.0 Economic Confidence

Fluctuations in Canadians' attitudes about the health of the economy influence the choices they make in their investment activities and in their general state of preparation for retirement. This section contains indicators that measure the economic mood of Canadians and their investment activities.

[In this chapter ...](#)

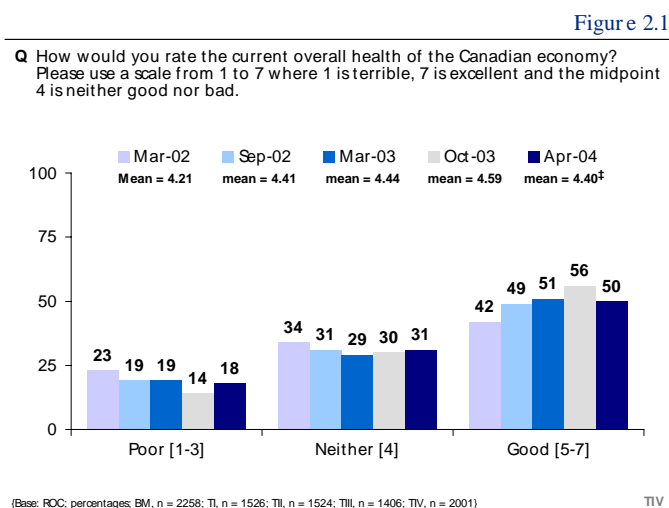
- Current Health of the Economy
- Future Health of the Economy

Current Health of the Economy

Overall confidence in the current health of the Canadian economy has dropped

Over the first four surveys, from March 2002 until last fall, there was a steady increase in confidence in the overall health of the economy. Since October, however, economic confidence has dropped back to levels found in late 2002 and early 2003 but remains higher than at the time of the Benchmark survey [Figure 2.1].

In the most recent measurement, 50 per cent say the overall health of the Canadian economy is good while 18 per cent say it is poor — an overall positive balance of +32 percentage points, down 10 percentage points from +42 in October. Despite this recent dip, confidence remains more positive than at the time of the Benchmark.



Confidence in the current health of the economy continues to be driven by gender, age, socio-economic status, as shown in Table 2.1 on the opposite page.

- Ratings increase progressively with income and educational attainment
 - » There is a 20 percentage point increase in the number providing a good rating from lowest to highest income groups
 - » Similarly, there is a 17 percentage point increase in good ratings from lowest to highest education segments
- Conversely, confidence tends to tail off with age with a 10 percentage point difference between the youngest and oldest age segments
- Men are significantly more likely than women to provide a good rating — 55 vs. 45 per cent

Region has a significant impact on economic confidence as well:

- Albertans show the highest levels of confidence with 59 per cent rating the current health of the economy as good
- Those from the prairie provinces and Atlantic Canadians rate the economy worse than other regions
- Ontario is an interesting case, as the current 50 per cent providing a good rating represents a 10 percentage point drop since the fall

Current Health of the Economy

Table 2.1: Current Health of the Economy
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Good (5-7)	57*	54	48	49	44*	47	42*	49	59*
Neither (4)	32	31	30	30	31	32	34*	32	27*
Poor (1-3)	9*	14	20	21*	23*	19	23*	18	13*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)			
Good (5-7)	39*	49	46*	56	53	59*			
Neither (4)	37*	33	32	26	31	26			
Poor (1-3)	22*	17	21*	17	15	13*			
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=277)		
Good (5-7)	55*	45*	50	59*	44	50	44		
Neither (4)	29*	33*	28	28	31	31	38*		
Poor (1-3)	15*	20*	20	11*	23*	18	16		

Future Health of the Economy

Overall, Canadians are not quite as bullish about the future health of the economy as they were in the past

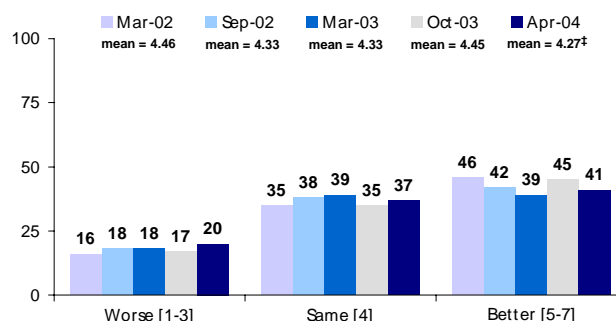
Since the fall, confidence in the future health of the economy has tailed off significantly — a shift from +28 percentage points better-to-worse rating in October (45 vs. 17 per cent) to +21 point rating today (41 to 20 per cent). This shift in the balance of opinion has resulted in the lowest mean score on this indicator yet registered [Figure 2.2].

Variations across demographic subgroups are similar to those found in the rating of the current health of the economy — increased confidence with age, education and income, and men being more confident than women — but they are not as pronounced.

The same holds regionally, as Albertans are the most confident in the future health of the economy, but the difference is not as strongly pronounced as in their rating of the current state of the economy. Additionally, Ontarians demonstrate some of the lowest economic optimism and this again represents a significant drop from last fall in that province — the number of Ontarians projecting a better economy in 5 to 10 years has dropped from 46 to 39 per cent.

Figure 2.2

Q What do you think will be the general trend in the overall health of the Canadian economy over the next 5-10 years, using a 7 point scale where 1 means much worse, 7 means much better and 4 means remain the same?



[Base: ROC, percentages, BM, n = 2258; TL, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001]

TIV

Table 2.2: Future Health of the Economy
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Better (5-7)	49*	45	39	34*	39	42	35*	39	49*
Same (4)	30	32	38	40	41	43*	39	40	34
Worse (1-3)	19	21	22	25*	17	12*	24*	20	16*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)			
Better (5-7)	38	37*	37*	41	47	48*			
Same (4)	34	40	44*	35	35	35			
Worse (1-3)	26*	21	18	22	17	16			
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=277)		
Better (5-7)	43	40	45	48*	38	39*	41		
Same (4)	37	37	32*	33	35	40*	40		
Worse (1-3)	18*	22*	22	18	26*	19	18		

Summary of Findings

To summarize the key findings from this chapter ...

Economic confidence has tailed off since the fall producing some of the most pessimistic findings yet registered through the course of this research

- Ratings for both the current and future health of the economy have dropped off significantly since October 2003

Ontario has seen the most pronounced drop in economic confidence

- The number of Ontarians providing a “good” rating for the current state of the economy has fallen by 10 percentage points, while those projecting a better economy over the next 5 to 10 years has tailed off by 7 percentage points
 - » The much publicized fiscal challenges facing Ontario’s new government has likely contributed to this decline

Economic confidence varies significantly across demographic subgroups

- Confidence increases progressively with educational attainment and household income, while it drops steadily with age

3.0 Investment Markets

Two key areas of public attitudes play into attitudes towards the CPP Investment Board and its activities — perceptions of the CPP and attitudes towards investment markets. This chapter deals with investment markets, the following will deal with perceptions of the CPP.

In this chapter ...

- Knowledge of Investment Finances
- Comparing Rates of Return
- Comparing Risks
- Risk Aversion
- Comfort with Market Volatility
- Confidence in Long-term Returns
- Confidence in Market Recovery

Knowledge of Investment Finances

There has been a steady increase in Canadians' self-rated knowledge of investment finances

Since the Benchmark survey, and over the course of the previous three tracking surveys, an increasing number of Canadians feel they have a 'good' knowledge of investment finances. In this most recent sounding, 39 per cent rate their knowledge of investment finances as being good — an increase of 10 percentage points since the Benchmark [Figure 3.1].

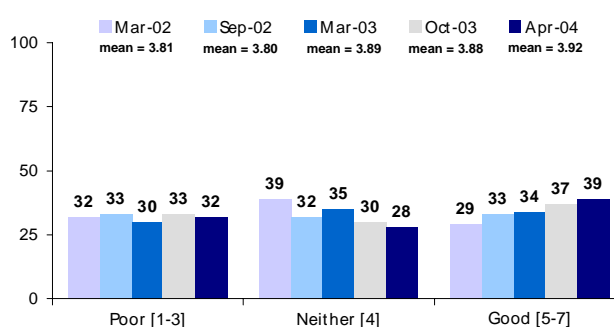
While the number of Canadians feeling comfortable with their knowledge of investment finances has grown consistently over the past two years, the number who feel their knowledge is 'poor' has remained stable at roughly one third of the overall population. The small increase in the mean score for this indicator over this period suggests that the shift is more modest than the 10 point increase in good ratings may suggest.

Knowledge of investment finances is a key factor underlying many more specific attitudes relating to investment markets (e.g., comfort with market volatility). As a result, the demographic variations found with self-assessed investment knowledge are mirrored in many of the findings for variables relating to investment markets seen in the remainder of this report. These variations are shown in Table 3.1 on the opposite page, and can be summarized as follows:

- Experience with investments is a critical factor, as the key dividing line with investment knowledge is whether or not someone has investments (see Chapter 12 for findings on the incidence and amount of investments)
 - » the strongest difference across all demographic variables is found between investors and non-investors — 47 vs. 22 per cent rate their knowledge as good, respectively, or a difference of more than 2 to 1
- The size of investment portfolio is also a key factor — there is a progressive increase in self assessed 'good' ratings with the size of investments, from 38 per cent among small investors (<\$100,000) to 67 per cent for large investors (\$500,000 and above)
- There is a progressive increase in comfort with investment finances with increasing age, educational attainment and income — this mirrors the trends in the incidence of investment ownership
- Men are somewhat more confident in their knowledge of investment finances than women — 43 vs. 35 per cent with a good rating, respectively

Figure 3.1

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



(Base: ROC, percentages; BM, n = 2258; T1, n = 1526; T2, n = 1524; T3, n = 1406; T4, n = 2001)

TIV

Knowledge of Investment Finances

Table 3.1: Knowledge of Investment Finances
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Good (5-7)	32*	35	39	40	40	48*	29*	41	46*
Neither (4)	25	28	28	31	30	28	32*	41	46*
Poor (1-3)	43*	37*	32	29	31	23*	38*	31	29*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)			
Good (5-7)	23*	32*	34*	42	43	55*			
Neither (4)	31	29	32*	25	29	24			
Poor (1-3)	46*	38*	34	33	28	21*			
	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=920)	Female (n=1081)	Yes (n=1359)	No (n=606)	<\$100K (n=825)	\$100-249K (n=247)	\$250K+ (n=149)		
Good (5-7)	43*	35*	47*	22*	38*	63*	67*		
Neither (4)	27	29	28	28	31*	25	20*		
Poor (1-3)	29*	35*	25*	49*	31*	12*	14*		

Comparing Rates of Return

Real estate continues its rise as offering the best return on investment in the eyes of most Canadians

The survey asks Canadians to rate the expected returns on different classes of investments, as shown in Figure 3.2. Real estate continues to distance itself from the pack as almost three-quarters feel it provides high returns (73 per cent) — up strongly from just 56 per cent two years ago [Figure 3.3].

Canadian and foreign stocks, as well as corporate bonds, continue to be seen in a similar light with roughly 2 in 5 feeling they provide high returns.

Government bonds are consistently seen as giving the lowest returns, with just a quarter indicating high returns — the only instance in which low ratings outnumber the high.

There has been a slight decrease since last fall in the number of people expecting high returns on Canadian stocks, corporate bonds, foreign stocks and government bonds, a period that coincides with rate reductions by the Bank of Canada.

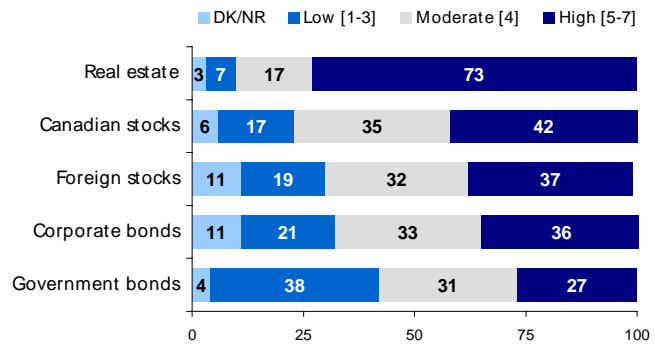
It is worth noting that findings for the expected returns on real estate are consistent between investors and non-investors and across investor size. This is not the case, however, with either foreign or Canadian stocks, where investors are more likely than non-investors to feel they provide high returns, and there is a progressive increase in expectations with investor size for both types of equities. Conversely, non-investors are more likely than investors to feel that government bonds provide high returns (33 vs. 24 per cent, respectively).

The demographic trends for age, income and education follow investor status in that with increasing age, income and education, higher returns are expected for Canadian and foreign stocks, while the reverse is true for government bonds. Expected returns for corporate bonds and real estate are generally consistent across age, income and education with few exceptions.

Regionally, few differences are to be found, although Atlantic Canadians have much lower expectations for the returns on real estate investments.

Figure 3.2

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 ...

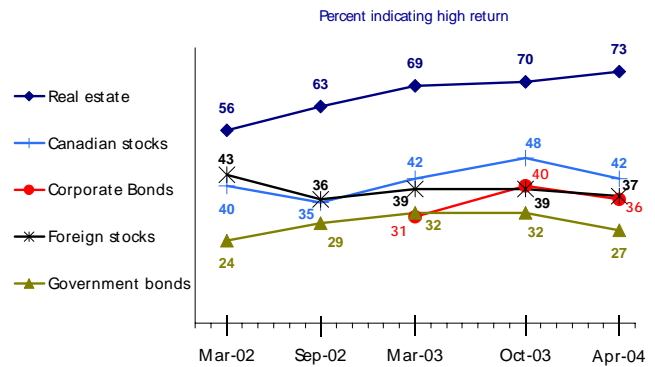


(Base: ROC, half sample; percentages, TIV, n = 1014)

TIV

Figure 3.3

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: ROC; percentages, BM, n = 2258; TI, n = 781; TII, n = 774; TIII, n = 693; TIV, n = 1014)

TIV

Foreign stocks are still considered to be the most risky investment vehicle

Foreign equities continue to stand out as the most risky type of investment in the eyes of Canadians, with 51 per cent feeling they represent a high risk — a full 20 percentage points higher than the number associating high risk with Canadian stocks [Figure 3.4].

While corporate bonds are seen in a similar light with Canadian stocks (roughly 3 in 10 saying high risk), real estate is seen as a much lower risk with just under half rating the risk as low. Government bonds stand out as being seen as the lowest risk investment type — almost two-thirds see them as a low risk proposition.

Unlike expected returns, there has been very little fluctuation in the level of risk Canadians associate with any of the types of investments tested [Figure 3.5].

It is interesting to note that investors are more likely than non-investors to view both Canadian and foreign stocks as high risk investments. Conversely, non-investors are more likely to see both corporate and government bonds as representing high risk investments.

Investors are more likely than non-investors to see real estate as offering a low risk type of investment (52 vs. 44 per cent, respectively). Despite this variation, real estate is widely viewed as offering the best mix of return and risk.

Across age, gender, income and education there are virtually no variations in the perceived risk of Canadian stocks. The same is not true with other types of investments, however.

- With foreign stocks, seniors are the least likely to perceive high risk (just 34 per cent), while there is a progressive increase in the perception of risk with increasing education and income
- The opposite trend can be found for real estate, corporate and government bonds — decreasing perceptions of risk with education and income, while men see each as less risk than do women
- The risk associated with real estate, corporate and government bonds generally drops off with age, although seniors reverse the trend and see greater risk than do those between 25 and 64

Figure 3.4

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 ...

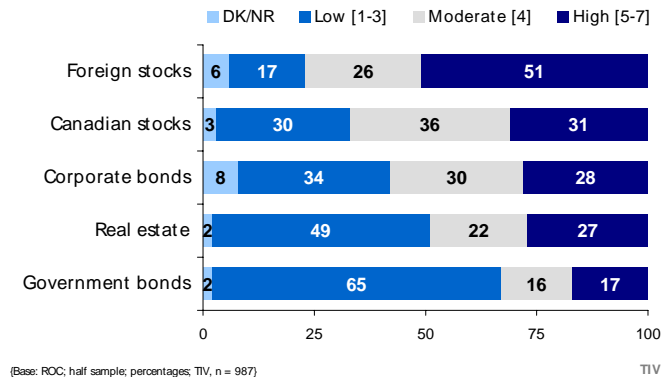
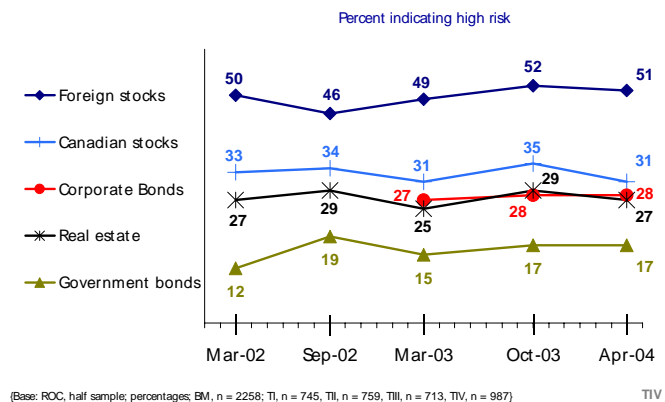


Figure 3.5

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 ...



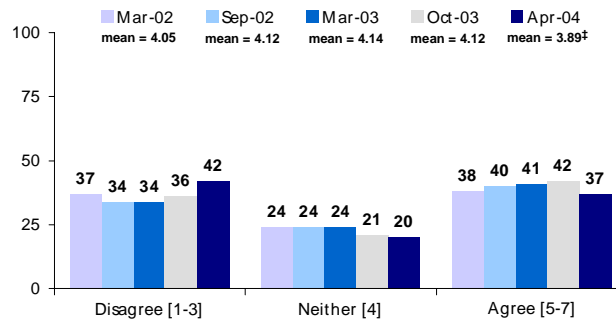
Risk Aversion

Aversion to taking risks when investing savings has dropped — for the first time more Canadians disagree that it is a bad idea to take risks to improve returns

Over the first four surveys, since Spring 2002, Canadians leaned away from risk with more than two in five saying it is a bad idea to take risks to earn more money when investing savings. Risk aversion may be changing. Now 42 per cent disagree that it is a bad idea to take risk; while 37 per cent say it is. This represents a significant swing in the balance of opinion from earlier surveys, and the first instance in which more people disagree than agree with the proposition.

Figure 3.6

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



(Base: ROC; percentages; BM, n = 2258; TL, n = 1526; TLI, n = 1524; TII, n = 1406; TIV, n = 1986)

TIV

Following the same trends shown in the previous set of indicators, aversion to investment risks tend to tail off with income, investments and education. Risk aversion is fairly consistent across age, except for seniors who are much more likely to agree than disagree with the proposition and Gen-Xers who tend to be more bullish than other age groups.

Table 3.2: Risk Aversion (percentages)

	AGE						GENDER	
	<25 (n=211)	25-34 (n=343)	35-44 (n=434)	45-54 (n=406)	55-64 (n=293)	65+ (n=282)	Male (n=913)	Female (n=1073)
Agree (5-7)	37	35	32*	34	39	48*	34*	39*
Neither (4)	18	20	19	23	22	20	21	20
Disagree (1-3)	44	45	50*	42	37	27*	44*	39*
	INCOME							
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100-149K (n=201)	\$150K+ (n=101)	
Agree (5-7)	44*	47*	33	35	34	32	25*	
Neither (4)	20	22	21	19	16	22	14	
Disagree (1-3)	35*	31*	44	46	50*	45	59*	
	INVESTOR		EDUCATION					
	Yes (n=1349)	No (n=601)	LS HS (n=658)	College (n=543)	University (n=764)			
Agree (5-7)	35*	42*	38	40*	34*			
Neither (4)	20	19	22	20	19			
Disagree (1-3)	44*	37*	38*	40	46*			

Comfort with Market Volatility and Confidence in Long-term Returns

Most Canadians still believe that markets will produce good long-term returns despite short-term volatility

Last fall, Canadians' comfort with short-term market volatility rose to its highest level. It remains fairly steady with 56 per cent continuing to agree that markets will produce good long-term returns despite short-term volatility [Figure 3.7].

In fact, comfort with market volatility has remained more or less consistent throughout each of the surveys dating back to March 2002.

Demographic variations in comfort with market volatility follow trends established earlier in this chapter — comfort increases progressively with income, education and investments (especially with investment size).

A growing number of Canadians say the stock market is the best place to invest for long-term returns

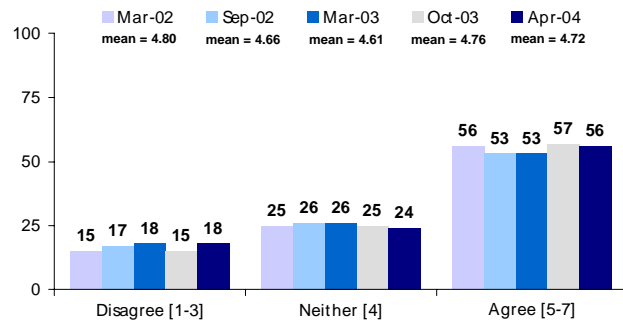
If Canadians want to get the best return on their savings over the long-term, 42 per cent agree that they would invest it in the stock market [Figure 3.8]. Confidence in the long-term returns offered by equity markets has been inching forward steadily since the Enron and Worldcom scandals.

Despite the improved confidence, Canadians are just as likely disagree as agree that the stock market is a good place to invest for long-term returns.

Again, the same demographic trends can be found with this indicator — confidence in long-term returns increases progressively with income, investments and education. Men are also more than likely women to agree with this statement.

Figure 3.7

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

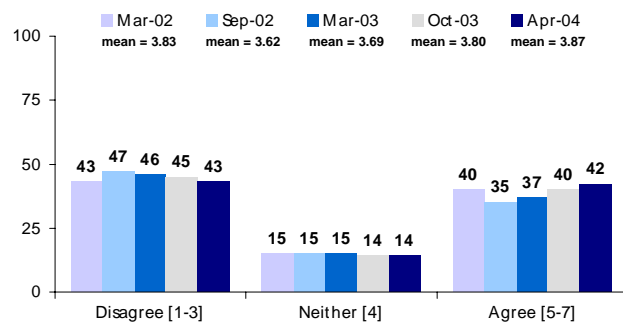


(Base: ROC; percentages: EM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

Figure 3.8

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: ROC; percentages: EM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1177; TIV, n = 1986)

TIV

Confidence in Market Recovery

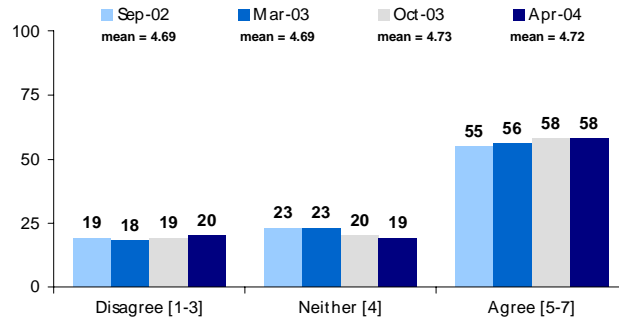
Confidence in market recovery continues to be strong, as most agree that investing when markets are down is a prudent investment decision

People are also still in agreement that it is a good idea to invest in stock markets when markets are down because eventually the market will recover. Since the first tracking survey in September 2002, responses have remained constant. Approximately, 58 per cent agree that investing in stock markets when they are performing poorly is a good investment decision because the market will eventually recover, while only 20 per cent disagree [Figure 3.9].

The same demographic trends as above can be discerned for this indicator — increasing confidence with income, investments and education, while men are more confident than women in the ability of markets recover and the wisdom of taking advantage of weak markets.

Figure 3.9

Q Someone who invests in stock markets at a time when they are performing poorly stands a good chance of making money because markets will recover over the long-term.



(Base: ROC; percentages; TI, n = 1526; TII, n = 1524; TIII, n = 1177; TIV, n = 2001)

TIV

Summary of Findings

To summarize the key findings from this chapter ...

Broad attitudes towards investment markets follow consistent demographic trends

- In general, confidence in markets, comfort with market volatility and risk tolerance increase with education, income, investments and, to a less consistent extent, age
- Men are generally slightly more confident and comfortable with investment markets than are women

Real estate continues to be the darling investment in the eyes of Canadians

- Expected returns on real estate investments outclass other investment types by a wide margin and this position has been growing consistently since the Benchmark
- Real estate is also second only to government bonds in terms of perceived low risk and offers the best mix of risk and return in the eyes of most Canadians

Canadians are showing increasing tolerance for risk

- There has been a significant jump in the number who reject being adverse to investment risks and for the first time, more people are risk friendly than risk averse

Comfort with market volatility, confidence in market returns and recovery, hold strong

4.0 Perceptions of the CPP

Perceptions of the CPP are key measures of the CPP Investment Board's success — ultimately, its success will be measured in how effectively it helps to sustain the CPP over the long-term. This chapter examines some key benchmarks relating to the CPP and also introduces two new indicators that measure the impact a more detailed awareness of the Plan has on confidence in its long-term viability.

In this chapter ...

- Overall Direction of the CPP
- Expected Reliance on the CPP
- Overall Viability of the CPP
- Impact of Joint Program on Confidence
- Impact of Financing on Confidence

Overall Direction of the CPP

Almost half say the CPP is moving in the right direction but there has been a slight jump in the number who are offside

Despite the fact that almost half of Canadians feel the overall health of the CPP is moving in the right direction, since last year a growing number feel it is moving in the wrong direction. Currently 39 per cent say it is moving in the wrong direction (an increase of 5 points from the fall) compared with 47 per cent who see it as being on track [Figure 4.1].

Across demographic lines there are well-defined differences in opinion relating to age, education, income and investors. Groups who feel the health of the CPP is moving in the right direction are in the youngest and oldest age segments, are among those who do not currently hold investments, have no post-secondary education, and occupy the lowest income group. Conversely, those between 25-55 years old are more likely to feel the CPP is moving in the wrong direction [Table 4.1]. Significantly, 47 per cent of CPP contributors also feel the Plan is moving in the wrong direction.

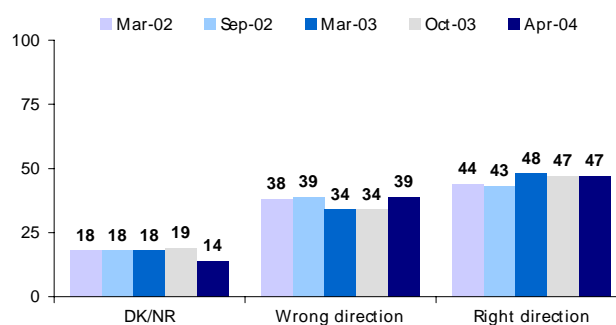
Regionally, there are some slight variations — those in BC and Alberta are more likely to feel the Plan is moving in the wrong direction (46 and 44 per cent, respectively), while those from Ontario and Atlantic Canada are less likely to feel this way (37 and 30 per cent, respectively).

Table 4.1: Overall Direction of the CPP
(percentages)

	AGE						GENDER	
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=4069)	55-64 (n=294)	65+ (n=284)	Male (n=920)	Female (n=1081)
Right direction	58*	36*	36*	42*	53*	64*	48	45
Wrong direction	28*	54*	50*	44*	32*	19*	39	39
DK/NR	14	10*	14	14	15	17	12*	16*
	INCOME							
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100-149K (n=201)	\$150K+ (n=101)	
Right direction	55*	50	45	46	45	37*	46	
Wrong direction	29*	38	41	42	45	51*	42	
DK/NR	16	13	14	12	10	12	12	
	INVESTOR		EDUCATION					
	Yes (n=1359)	No (n=606)	LS HS (n=664)	College (n=548)	University (n=768)			
Right direction	45*	51*	52*	43*	45			
Wrong direction	42*	35*	36*	44*	39			
DK/NR	14	15	12	13	16*			

Figure 4.1

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



(Base: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

Expected Reliance on the CPP

The extent to which Canadians plan to rely on the CPP for retirement income has dropped after a period of steady increases

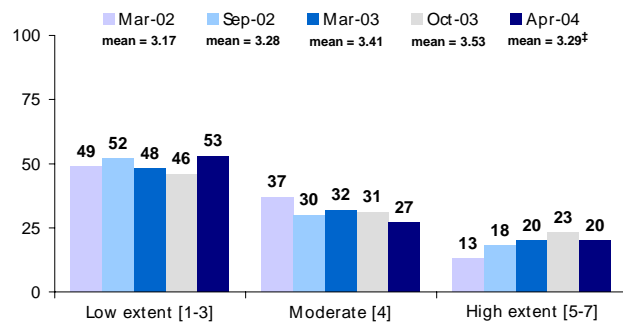
More than half (53 per cent) now have low expectations for relying on the CPP for their retirement income [Figure 4.2]. Only 20 per cent expect to rely on the Plan to a 'high extent'. While this represents a notable drop since the last tracking survey, it is still higher than the 13 per cent found in the Benchmark survey.

Not surprisingly certain groups are more inclined to rely more heavily on the CPP for retirement income than others. Older age groups, individuals without post-secondary education, lower income groups and individuals without investments are more likely to be planning to rely on the CPP for retirement income than are men, those between the ages of 25 and 44, the university educated, investors, and those with higher income levels [Table 4.2].

Regionally, British Columbians are least likely to be relying on the CPP for retirement income — 59 per cent of BC residents are relying on the CPP to a low extent.

Figure 4.2

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



(Base: ROC, contributors and non-retirees; percentages; BM, n = 1877; TL, n = 844; TI, n = 929; TII, n = 870; TIV, n = 1147) TIV

Table 4.2: Expected Reliance on the CPP

(those not retired; percentages)

	AGE					EDUCATION		
	<25 (n=102)	25-34 (n=256)	35-44 (n=331)	45-54 (n=315)	55-64 (n=135)	LS HS (n=312)	College (n=355)	Univ. (n=474)
High extent (5-7)	22	14*	18	24*	29	28*	20	14*
Moderate (4)	24	23	24	33*	33*	31*	28	23*
Low extent (1-3)	53	63*	58*	43*	38*	40*	51	63*
	INCOME							
	<\$20K (n=57)	\$20-39K (n=151)	\$40-59K (n=209)	\$60-79K (n=183)	\$80-99K (n=150)	\$100-149K (n=160)		
High extent (5-7)	39*	34*	25*	18	13	8*		
Moderate (4)	23	29	29	27	27	22		
Low extent (1-3)	35*	37*	46*	55	59	70*		
	GENDER		INVESTOR		CPP CONTRIBUTOR			
	Men (n=572)	Women (n=575)	Yes (n=837)	No (n=296)	Current (n=1147)	Previous (n=0)	Never (n=0)	
High extent (5-7)	19	21	16*	30*	20	0	0	
Moderate (4)	24*	30*	26	30	27	0	0	
Low extent (1-3)	56*	49*	58*	39*	53	0	0	

Overall Viability of the CPP

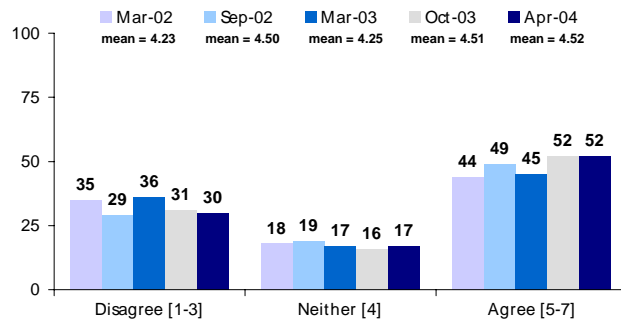
More than half of Canadians still believe the CPP will run out of money by the time they retire — just 3 in 10 disagree

The majority of Canadians still feel the CPP will run out of money by the time they retire. Approximately one in every two Canadians agrees that the CPP will be out of money by the time they retire, though almost one third disagree. This marks an increase from the agreement reported in the initial Benchmark survey and from ratings of a year ago [Figure 4.3].

Differences can be found among gender and age groups. In general, those who are most sceptical are women (56 per cent), individuals aged 25-34 (64 per cent) and those in the 35-44 year old segment (59 per cent).

Figure 4.3

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



(Base: ROC, contributors and non-retirees; percentages; BM, n = 2258; TL, n = 1526; TII, n = 1236; TIII, n = 870; TIV, n = 1147) TIV

Impact of Joint Program on Confidence

Awareness that the CPP is a joint federal-provincial program produces mixed results in terms of confidence in the Plan

After being told that the CPP is a joint federal—provincial program, 32 per cent feel more confident about the long-term health of the CPP, 41 per cent feel it makes no difference, and roughly one quarter say it makes them less confident in the CPP [Figure 4.4].

As shown in Table 4.3, age, education, income and whether or not someone is a CPP contributor are significant factors in the impact awareness of the joint federal-provincial program has on confidence. The youngest (under 25) and oldest (65+) age cohorts, low income individuals, as well as individuals with no post-secondary education are most likely to say their confidence in the Plan has increased. Conversely, Canadians between the ages of 25 and 54 are more likely to feel less confident than more confident. This age group corresponds to current contributors where a similar result is found.

Regionally, British Columbians and those from the Prairie provinces are more likely than Canadians from other regions to say awareness of the joint program makes them less confident (32 and 34 per cent, respectively).

Q The CPP is not a federal program, but rather a joint federal-provincial program — it was created through a joint agreement between the federal government and the provinces. Does knowing this make you more or less confident in the long-term health of the CPP?

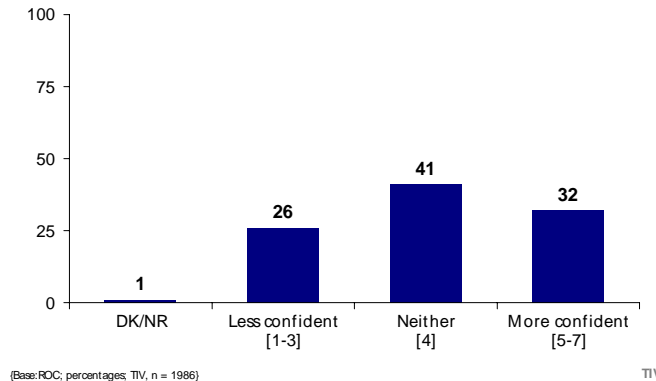


Figure 4.4

Table 4.3: Impact of Joint Program on Confidence (percentages)

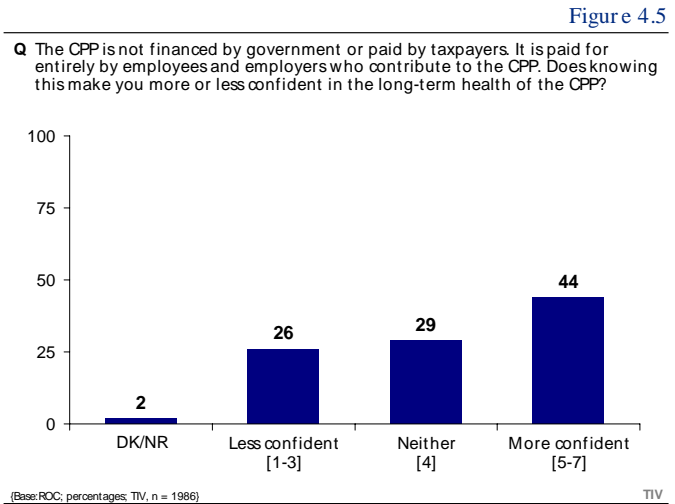
	AGE						EDUCATION		
	<25 (n=211)	25-34 (n=343)	35-44 (n=434)	45-54 (n=406)	55-64 (n=293)	65+ (n=282)	LS HS (n=658)	Colleg e (n=543)	Univ. (n=764)
More confident (5-7)	47*	21*	22*	26*	37*	48*	36*	31	31
Neither (4)	39	47*	45*	40	40	34*	40	43	40
Less confident (1-3)	15*	31*	32*	33*	22	16*	23*	25	28*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)			
More confident (5-7)	42*	40*	28	28	29	26*			
Neither (4)	33*	38	48*	41	41	44			
Less confident (1-3)	24	21*	24	30*	30	28			
	GENDER		INVESTOR		CPP CONTRIBUTOR				
	Male (n=913)	Female (n=1073)	Yes (n=1349)	No (n=601)	Current (n=1141)	Previous (n=705)	Never (n=124)		
More confident (5-7)	32	32	26	25	22*	43*	55*		
Neither (4)	41	42	43*	37*	46*	35*	34*		
Less confident (1-3)	26	25	30*	37*	31*	21*	10*		

Impact of Financing Model on Confidence

Just under half are more confident in the long-term health of the CPP after learning that it is paid for both by employees and employers and not by government

Additional information was provided about the CPP. Respondents were told that the CPP is paid for entirely by employees and employers who contribute to the Plan and not by government. After learning this, 44 per cent feel more confident in the long-term health of the CPP, 29 per cent say it does not affect their confidence, and one quarter say it makes them less confident [Figure 4.5].

The impact of awareness of the financing model on confidence is not evenly felt across demographic subgroups.



Age is a key factor as those between 25 and 54 are about as likely to say it makes them less confident as they are to say it makes them more confident. Young adults (51 per cent), the pre-retirement cohort (52 per cent) and seniors (63 per cent) are all much more likely to say that awareness of the financing model makes them more confident.

Closely related to age, CPP contributors are less likely to feel more confident (37 per cent), while past contributors (51 per cent) and those who have never contributed (61 per cent) are more likely to feel more confident.

The impact also varies slightly by income, as those earning \$40,000 or less are more likely to feel more confident (49 per cent), while those earning \$100,000 and up are less likely to do so (36 per cent).

Summary of Findings

To summarize the key findings from this chapter ...

Attitudes towards the CPP have not improved and have even worsened

- Over half still feel the CPP will run out of money by the time they retire
- An increased number feel the CPP is moving in the wrong direction (although they are still outnumbered by those who feel it is moving in the right direction)

Contributors and especially those between the ages of 25 and 34 are generally more offside with the CPP than other are Canadians

The impact of awareness of the CPP being a joint federal-provincial program is mixed

- Canadians are almost as likely to say this lessens their confidence in the Plan as they are to feel it increases it
- Contributors and those between 25 and 54 are most negative about this message

Awareness of the financing model produces better results, but a quarter still report that this reduces their confidence in the Plan

5.0 Investing CPP Assets

The results discussed in the previous chapters provide a solid context within which to understand the findings relating to the investment of CPP assets presented in this chapter. In many ways, these are the core ongoing findings of this research — without naming the CPP Investment Board specifically, the indicators presented here deal directly with its activities and investment strategies and principles.

It should be noted that many of the indicators presented in this chapter are variables for the Confidence Index discussed in Chapter 8.

In this chapter ...

- Awareness and Size of CPP Assets
- The Broad Approach — Reasonable Risks or Safety
- Tolerance for Levels of Equity Exposure
- Confidence in Investment Professionals
- Confidence in CPP Market Investments
- Portfolio Diversification
- Aversion to Potential Risks of Investing CPP Assets
- Confidence in Long-term Returns
- Concerns about Political Influence
- Confidence in Board Model

Awareness and Size of CPP Assets

About a third of Canadians are aware that a large pool of CPP assets is available to pay future pensions, and awareness of its size is creeping up

Respondents were first told: “Currently, the total amount of contributions that Canadians pay into the CPP each year is much larger than the amount of pension benefits paid out each year. This is expected to be true until at least 2021. This means that there is a growing pool of assets available to the CPP to help pay pension benefits in the future.”

They were then asked if they had been aware of this fact, as reported in Figure 5.1.

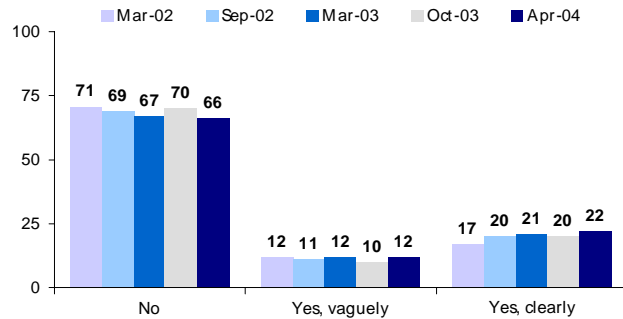
Although just 22 per cent say they were clearly aware of the existence of the pool, this is the highest level of awareness since the surveys began, and suggests a very slow increase in awareness over the period.

As in previous surveys, awareness is closely related to education and income (42 per cent with incomes of \$150,000 and over are clearly aware), and also to age — 31 per cent of seniors are clearly aware of the pool. Men are significantly more likely to be aware of the pool than are women.

Also increasing slowly is an awareness of the size of the pool, which now stands at more than \$60 billion. At the time of the previous survey (November 2003), 28 per cent said they had no idea about the size of the pool. This has now declined to 22 per cent, with three-quarters of Canadians having some idea how large the pool might be, even though the proportion who cite the size of the amount correctly is still a small minority and most underestimate it by a fair margin.

Figure 5.1

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

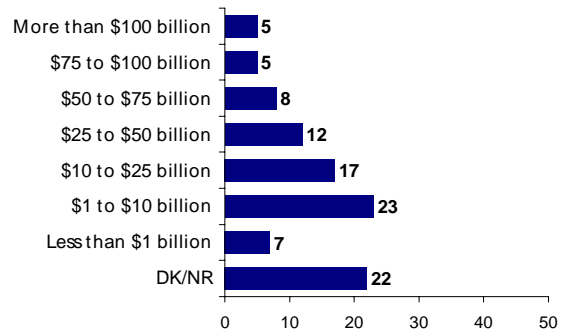


(Base: ROC, percentages; BM, n = 2258; T1, n = 1526; T11, n = 1524; T111, n = 1406; T1V, n = 2001)

T1V

Figure 5.2

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



(Base: ROC, half sample; percentages; T1V, n = 987)

T1V

The Broad Approach — Reasonable Risks or Safety

The previous lean toward taking reasonable risks in the investment of CPP assets has shifted toward investing for safety

After being probed about awareness of CPP assets, respondents were told: “CPP assets currently total approximately \$66 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.”

Respondents were then asked to choose between two broad options for investing CPP assets, to take reasonable risks to maximize returns or to make the safest possible investments. The cost of taking the safest possible investment was described to one half of the sample as being the risk of receiving reduced future benefits [Figure 5.3]; to the other half as being the risk of increased premiums [Figure 5.4].

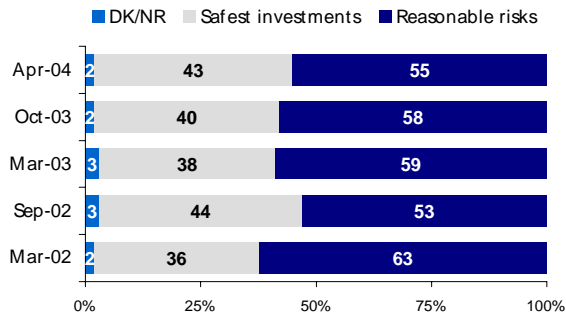
Both charts show a clear shift toward the conservative side. A majority (55 per cent) still agrees that reasonable risks are preferable to reduced benefits, but this has fallen slightly since the previous two surveys.

When the alternative is between reasonable risk and higher premiums, for the first time slightly more people opt for making the safest possible investments over taking reasonable risks even if premiums have to increase.

We noted in the report on the last survey that a majority were prepared to see CPP taking reasonable risks, but that many were nervous. That nervousness appears to have spread.

Figure 5.3

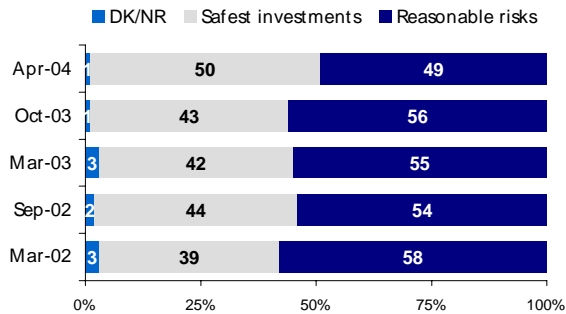
Q Which of the following two statements is closest to your own point of view:
 ▶ CPP assets should be invested by taking reasonable risks to maximize returns to help ensure that the CPP BENEFITS will be paid in the future.
 ▶ CPP assets should be invested in the safest possible investments even if it results in lower earnings and the need to reduce CPP BENEFITS in the future.



(Base: ROC; half sample; percentages: BM, n = 1141; TI, n = 781; TII, n = 761; TIII, n = 697; TIV, n = 980) TIV

Figure 5.4

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 that there will be no need to further increase CPP PREMIUMS in the future.
 ▶ CPP assets should be invested in the safest possible investments even if it results in lower earnings and the need to further increase CPP PREMIUMS in the future.



(Base: ROC; half sample; percentages: BM, n = 1117; TI, n = 737; TII, n = 763; TIII, n = 709; TIV, n = 1021) TIV

Tolerance for Levels of Equity Exposure

Concern about investing CPP Assets in the stock market remains fairly steady

Each respondent is asked to express his or her willingness to accept one of three different levels of CPP assets being invested in the stock market. No respondent is asked about more than one level.

At the first level, just over half of Canadians say they have no problem with up to one quarter of the total CPP assets being invested in the stock market [Figure 5.5]. Note that this continues a slightly favourable trend noted in the previous survey.

At the second level, 34 per cent have no problem with up to one half of assets being invested in the market, and this figure is higher than previously recorded, though still clearly in the same range of response as in earlier surveys [Figure 5.6].

At the third level, just 22 per cent are comfortable with up to three-quarters of CPP assets being invested in the market, but this number is also at the highest level recorded [Figure 5.7].

These figures do not represent a major swing in opinion toward stock market investments, but they do suggest that support for these investments at the various levels is not eroding in uncertain times.

At the higher levels of equity exposure the results are consistent across demographic and regional subgroups. But at the lowest level of one quarter, there are significant variations. Men are more likely to agree than women, and there is a progressive increase in the level of agreement with education, income and investments.

Figure 5.5

Q I have no problem with up to A QUARTER of the total CPP assets being invested in the stock market.

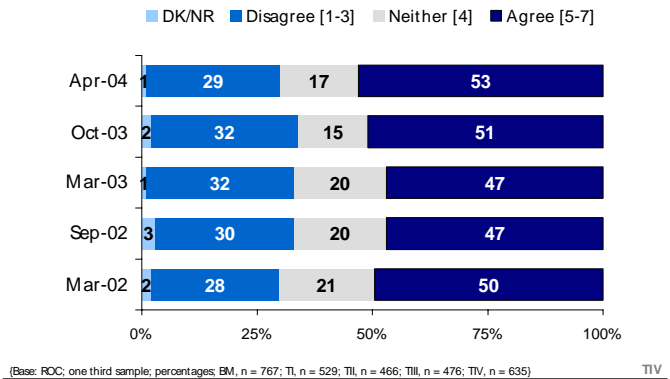


Figure 5.6

Q I have no problem with up to A HALF of the total CPP assets being invested in the stock market.

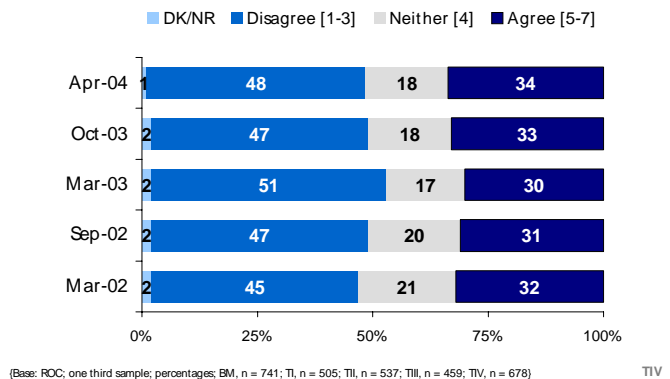
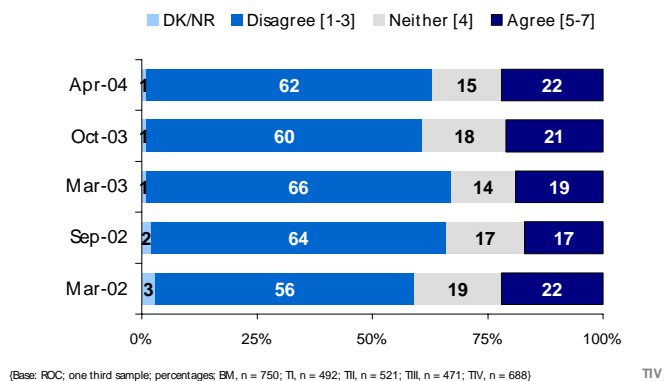


Figure 5.7

Q I have no problem with up to THREE-QUARTERS of the total CPP assets being invested in the stock market.



Confidence in Investment Professionals

Confidence in investment professionals continues to grow

The upswing that was noted in this indicator last October has continued, as 37 per cent of Canadians now have high confidence in the ability of investment professionals to obtain high returns on the stock market over the long-term. This compares with just 23 per cent who have low confidence in that ability.

Both these numbers reflect a significant positive swing in sentiment on this indicator over the past two years.

The most positive demographic segments continue to be the university educated and those with higher incomes and investments [Table 5.1]. The balance of opinion among young adults is also strongly positive, with 48 per cent expressing high confidence compared with 20 per cent who say they have low confidence in investment professionals' ability.

The most negative region is British Columbia, but even there, the balance is positive.

Table 5.1: Confidence in Investment Professionals

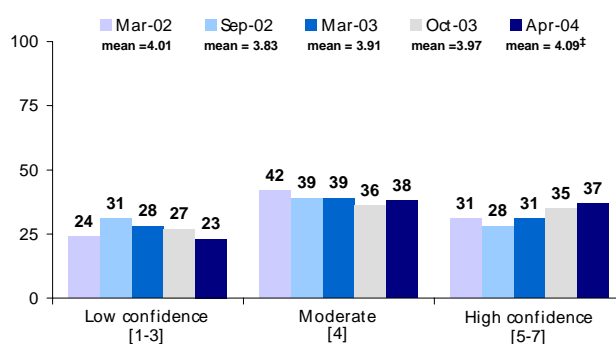
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
High confidence (5-7)	48*	39	36	35	35	32*	32*	36	43*
Moderate (4)	31*	33*	39	42*	37	43	44*	39	32*
Low confidence (1-3)	20	27*	23	22	27	21	22	24	24
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=606)	
High confidence (5-7)	30*	35	36	36	40	48	41*	30*	
Moderate (4)	38	42*	40	40	35	28*	37	40	
Low confidence (1-3)	28*	20	24	23	25	23	21*	28*	
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)		
High confidence (5-7)	39	36	37	40	44*	36	33		
Moderate (4)	35*	41*	31*	33*	32	41*	45*		
Low confidence (1-3)	25*	22*	31*	25	24	21*	19		

Confidence in CPP Market Investments

Figure 5.8

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



(Base: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

Almost half of Canadians now say the investment of CPP assets to increase returns makes them more confident in the plan's future health

As an important measure of confidence in the CPP Investment Board's mandate, three times as many people say the investment of CPP assets makes them more confident about the future health of the plan as say it makes them less confident, 48%. 16 per cent [Figure 5.9].

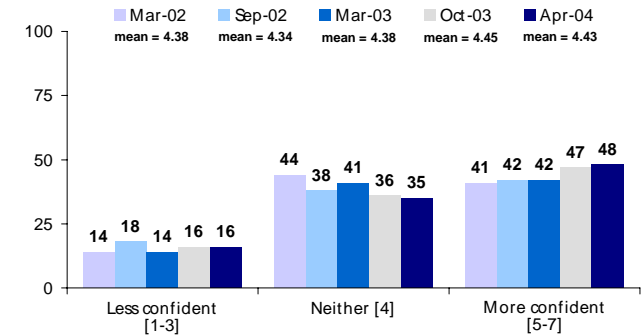
The current measurement represents a continuation of the positive trend in this indicator. At the time of the benchmark survey in March 2002, 41 per cent said the investment of CPP assets to increase returns made them more confident about the long-term health of the plan. This has now risen to 48 per cent.

As shown in Table 5.2, the positive response to this indicator is skewed toward those with higher education, and particularly toward those with higher incomes and investments.

The negative response has more of a regional bias, with better than one in five in both Alberta and British Columbia saying the investments makes them less confident, though a strong majority in both provinces are positive toward such investment.

Figure 5.9

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: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001) TIV

Table 5.2: Confidence in CPP Market Investments (percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
More confident (5-7)	50	43*	51	49	49	48	46*	48	51*
Neither (4)	35	38	32	35	33	36	38*	35	32*
Less confident (1-3)	15	19	17	15	18	14	16	17	16
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=606)	
More confident (5-7)	43*	47	43*	49	56	59*	51*	42*	
Neither (4)	36	37	37*	35	33	27*	33*	38*	
Less confident (1-3)	18	15	20*	16	11*	14	15*	19*	
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)		
More confident (5-7)	50*	45*	48	44	45	50*	43		
Neither (4)	33*	37*	30*	32	37	36	42*		
Less confident (1-3)	17	16	22*	23*	19	13*	13		

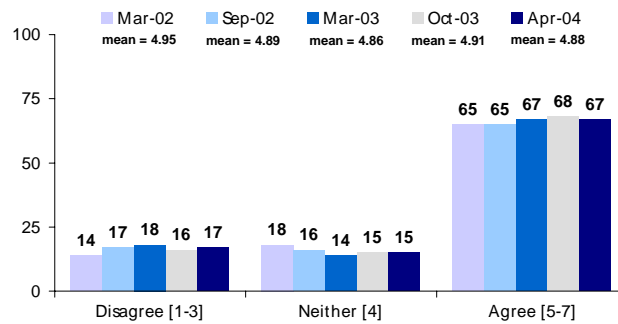
Two-thirds of Canadians would support some investment of CPP assets in the market as long as the portfolio is balanced with low-risk investments

One constant of these surveys is the general acceptance by Canadians of the wisdom of keeping a balanced portfolio, both personally and institutionally.

In the latest measurement, 67 per cent say they would be okay with investing a portion of CPP assets in the stock market if they know that the rest of the assets are invested in other kinds of investment like government bonds. This number has barely changed through the ups and downs of the market in the past couple of years.

Figure 5.10

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: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

At the same time, those not comforted by the notion of diversification remain a minority of less than one in five.

As shown in Table 5.3, agreement increases with education, income and investments. There are virtually no variations along regional, gender or age lines.

Table 5.3: Portfolio Diversification

(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Agree (5-7)	67	66	72*	66	67	63	59*	66	74*
Neither (4)	15	16	13	13	14	19*	19*	15	12*
Disagree (1-3)	17	18	15	20	18	17	21*	18	14*

	INCOME						INVESTOR	
	<\$20K (n=)	\$20-39K (n=)	\$40-59K (n=)	\$60-79K (n=)	\$80-99K (n=)	\$100K+ (n=)	Yes (n=1359)	No (n=606)
Agree (5-7)	53*	68	65*	65	77*	78*	71*	58*
Neither (4)	22*	16	16	16	11	7*	13*	19*
Disagree (1-3)	22*	15	18	18	12*	14	15*	21*

	GENDER		REGION				
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)
Agree (5-7)	68	65	68	65	63	67	66
Neither (4)	15	15	14	16	15	15	16
Disagree (1-3)	16	19	17	19	22	17	16

Aversion to Potential Risks of Investing CPP Assets

A small plurality are still averse to investing CPP assets in the market when presented with the risk of CPP losses

As already reported, when it is stated in a positive way, a majority of Canadians support investment of a portion of CPP assets in the market, and hard-core opposition is restricted to something less than one in five.

However, the indicator reported on this page suggests that the general support for these investments also comes with some anxieties. When the question links the concept of investing a portion of CPP assets in the stock market with potential losses and a compromised ability to pay future pensions, those opposed to such investments more than doubles.

In the latest measurement, 44 per cent say it is a bad idea to make such investments because of these possible consequences, while 38 per cent disagree [Figure 5.11]. These numbers remain pretty consistent across the various surveys

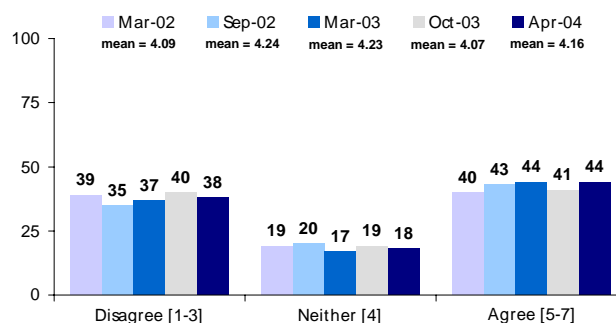
There are quite sharp but predictable demographic differences of opinion on this indicator, as shown in Table 5.4.

Table 5.4: Aversion to Potential Risks of Investing CPP Asset
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Agree (5-7)	50*	44	41	42	43	48	49*	48*	37*
Neither (4)	19	20	16	19	14*	17	19	19	15*
Disagree (1-3)	31*	37	42*	39	42	34	31*	33*	47*
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=606)	
Agree (5-7)	55*	47*	47*	42	34*	36*	41*	50*	
Neither (4)	17	21*	17	21*	15	12*	16*	21*	
Disagree (1-3)	27*	32*	36*	36	51*	52*	43*	28*	
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)		
Agree (5-7)	40*	48*	45	40	47	43	50*		
Neither (4)	17	19	16	19	13*	18	20		
Disagree (1-3)	43*	32*	39	41	40	38	29*		

Figure 5.11

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: ROC, percentages, BM, n = 2258; TL, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001]

TIV

Confidence in Long-term Returns

A plurality are still confident in long-term market gains in the face of market volatility, but disbelievers stand firm

Another indicator of attitudes toward equity investments concerns the proposition that “although there may be occasional short-term losses, if CPP assets were invested in stock markets, it wouldn’t be bothersome because the gains will more than compensate over the next 20 years.”

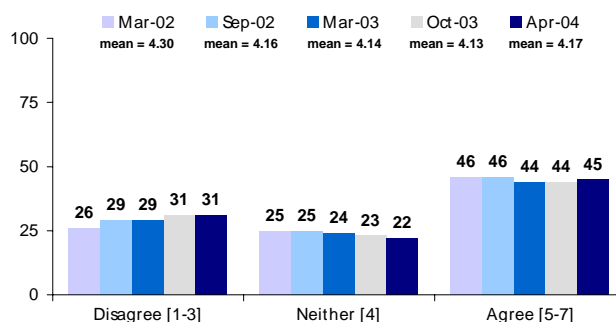
Agreement with this proposition continues to remain steady at just under half of Canadians. There is a strong lean toward agreement among those with higher education, income and investments [Table 5.5].

On the other hand, just under a third of Canadians disagree with the proposition, a number that has risen from 26 per cent in the benchmark survey to 31 per cent in the most recent measurement. Disagreement is highest among those with lower incomes, the middle aged, and among women.

Regionally, the highest level of disagreement is in British Columbia where 37 per cent disagree compared with 41 per cent who agree.

Figure 5.12

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: ROC; percentages: BM, n = 2258; TL, n = 1526; TIL, n = 1524; TILL, n = 1406; TIV, n = 2001)

TIV

Table 5.5: Confidence in Long-term Returns

(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Agree (5-7)	44	44	49*	44	47	41	37*	46	52*
Neither (4)	27*	23	22	20	15*	23	28*	20	19*
Disagree (1-3)	29	31	27*	35*	36*	28	31	33	29

	INCOME						INVESTOR	
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=606)
Agree (5-7)	34*	41*	43*	48	53	62*	50*	36*
Neither (4)	25*	24*	24*	19	19	15*	21*	25*
Disagree (1-3)	37*	31	32	33	27	22*	28*	35*

	GENDER		REGION				
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)
Agree (5-7)	47*	43*	41*	44	43	47*	44
Neither (4)	22	22	21	23	24	21	26
Disagree (1-3)	29*	33*	37*	32	30	29	28

Concerns about Political Influence

Worries about potential political influence in CPP investments are not dissipating

At the time of the last survey, it looked as though worries about potential political influence in the way CPP assets are invested might be subsiding ever so slightly. In the most recent measurement, the proportion of Canadians who share those worries has gone back up again by two percentage points to 67 percent. While this may not represent a large increase in the number concerned, the issue is clearly not fading away.

The pattern of worry remains consistent with previous measurements. Regionally, Albertans are the most likely to express concern (73 per cent).

Demographically, worries are highest among the youngest boomers (72 per cent), those with a college education (72 per cent) and those with household incomes above \$100,000 (75 per cent).

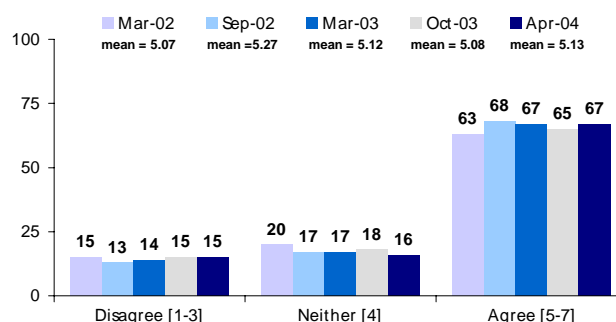
In all segments far more people agree than disagree that political influence is a worry.

Table 5.5: Concerns about Political Influence
(percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Agree (5-7)	66	69	72*	71	66	56*	63*	72*	68
Neither (4)	20	17	15	14	15	18	18	15	16
Disagree (1-3)	13	13	12*	15	18	22*	18*	13*	15
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=6006)	
Agree (5-7)	59*	62*	69	73	68	75*	69*	63*	
Neither (4)	20*	21*	14	14	18	11*	15*	19*	
Disagree (1-3)	19*	16	16	13	14	14	15	16	
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)		
Agree (5-7)	68	67	70	73*	67	66	61*		
Neither (4)	16	17	13*	13*	15	18	21*		
Disagree (1-3)	16	15	16	13	14	15	18		

Figure 5.13

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



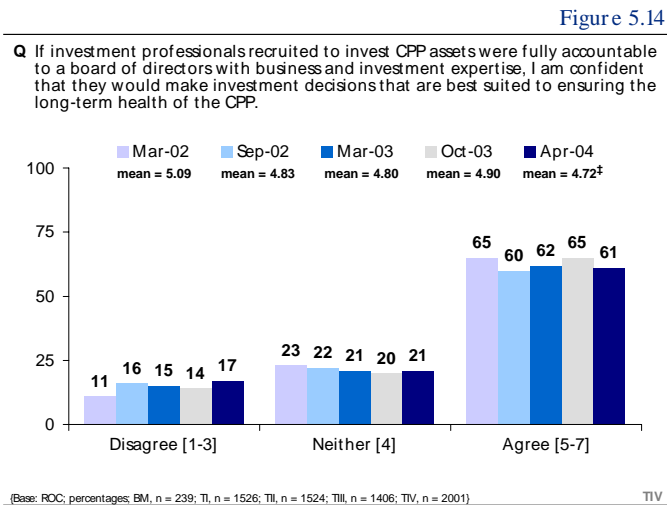
(Base: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

Confidence in the board governance model has dropped since last year

The board governance model has been shown to offset concerns about political influence in past surveys. This remains the case, but the erosion seen in Figure 5.14 has also resulted in an overall drop in the Confidence Index (see Chapter 8).

While 61 per cent still feel the board model secures prudent investment decisions, the balance of opinion has swung more negative. In the previous survey, 65 per cent agreed, while only 14 per cent disagreed with the statement (+51). The balance is now 61 per cent positive vs. 17 per cent negative (+44), a negative shift of 7 points.



It is worth noting that the current findings reveal the lowest mean score yet recorded for this indicator. It is likely that factors closer to home such as the federal Sponsorship Scandal and the well-publicized revelations concerning Hollinger have again unhinged confidence a little.

As shown in Table 5.7 high income earners and investors are more strongly onside with the model, but, surprisingly, more men (20 percent) are offside than women (15 per cent). On the regional front, the findings are consistent across the country with the exception of BC, where 23 per cent are offside..

Table 5.7: Confidence in Board Model (percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Agree (5-7)	64	57*	64	59	62	60	57*	62	63*
Neither (4)	21	21	18*	22	21	25*	26*	19	18*
Disagree (1-3)	15	22*	17	19	15	12*	16	18	18
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1359)	No (n=606)	
Agree (5-7)	54*	63	53*	64	69	71*	63*	56*	
Neither (4)	25*	18	25*	19	17	17	20*	24*	
Disagree (1-3)	19	17	22*	16	15	12*	16	18	
	GENDER		REGION						
	Male (n=920)	Female (n=1081)	BC (n=354)	Alb (n=277)	Prairies (n=180)	Ontario (n=993)	Atlantic (n=197)		
Agree (5-7)	61	61	57*	62	60	61	64		
Neither (4)	19*	23*	19	20	26	21	24		
Disagree (1-3)	20*	15*	23*	18	14	17	11*		

Summary of Findings

To summarize the key findings from this chapter ...

Awareness that the CPP has a large pool of assets is slowly spreading

- The fact that the size of the pool has increased rapidly in recent years has not generally registered

There is a shift toward safety in opinions about the way CPP assets should be invested

- Increased premiums appears to be slightly more acceptable than reduced benefits as a way of dealing with any plan underfunding

Acceptance of some level of CPP assets invested in the stock market continues to slowly increase

- Confidence in investment professionals' ability to obtain high returns in the market over the long term is increasing
- Investment of CPP assets to improve returns is increasing confidence in the plan, though any linking of investment with possible losses, sharply increases anxieties
- A majority want to see a balanced portfolio between stocks and bonds

Concern about possible political influence in CPP investments remains high

- Confidence in the board governance model to offset political concerns has dipped slightly since last year

6.0 Asset Safeguards

The questions contained in this chapter were not asked in previous tracking surveys. They examine perceptions and confidence in the legal safeguards that have been developed to protect CPP assets.

In this chapter ...

- Awareness of Asset Safeguards
- Confidence and Asset Safeguards
- Political Influence and Asset Safeguards

Awareness of Asset Safeguards

A sizable majority are not aware that CPP assets are kept separate from government assets

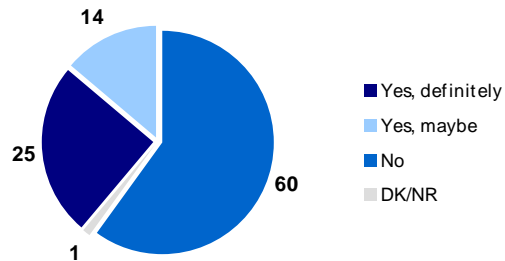
Respondents were first told: “There are legally binding rules that make it impossible for CPP assets to be used for any other purpose than paying out CPP benefits and administering the Plan. These legally binding rules cannot be changed unless the federal government and two-thirds of the provincial governments agree to changes.”

This first question asks if Canadians are aware that CPP assets are separate from government assets — almost 40 per cent had some previous knowledge, with 25 per cent saying definitely and 14 per cent saying maybe. However a sizable majority are not aware that CPP assets are kept separate from government assets [Figure 6.1].

As we have noted with other awareness questions, awareness is most acute among individuals with a university education, occupying higher income brackets and Canadians with investments. Those who are unaware that CPP assets are kept separate from government assets are from younger age groups (under 35 years old), without post-secondary education, earning less than \$40,000 annually and holding no investments.

Figure 6.1

Q Were you previously aware that CPP assets are kept separate from government assets — that, in fact, they are not government assets and cannot be used for any purpose other than paying out CPP benefits and administering the Plan?



(Base: ROC; percentages, TIV, n = 2001)

TIV

Confidence and Asset Safeguards

A strong majority are more confident in the future health of the CPP when considering that the assets are legally safeguarded

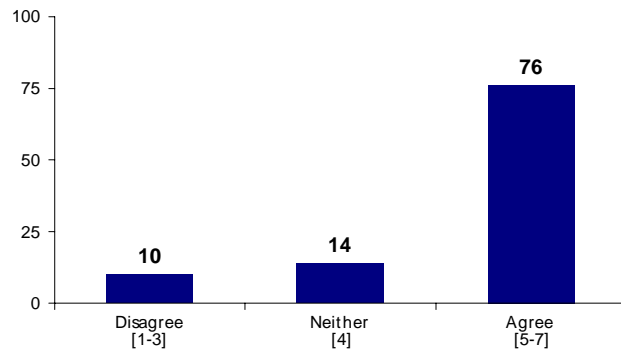
Canadians were further probed about safeguards and asked if knowing that CPP assets are legally safeguarded makes them more confident in the future health of the CPP — a healthy majority feel a lot more confident and only 1 in 10 disagree [Figure 6.2].

Across demographic groups responses are fairly consistent. Of note is the high level of agreement found among pre-retirement boomers (82 per cent) and seniors (83 per cent).

Regionally, there are virtually no variations in the levels of agreement on this indicator.

Figure 6.2

Q Knowing that the CPP assets are legally safeguarded makes me a lot more confident in the future health of the CPP.



(Base: ROC, split sample; percentages: TIV, n = 1449)

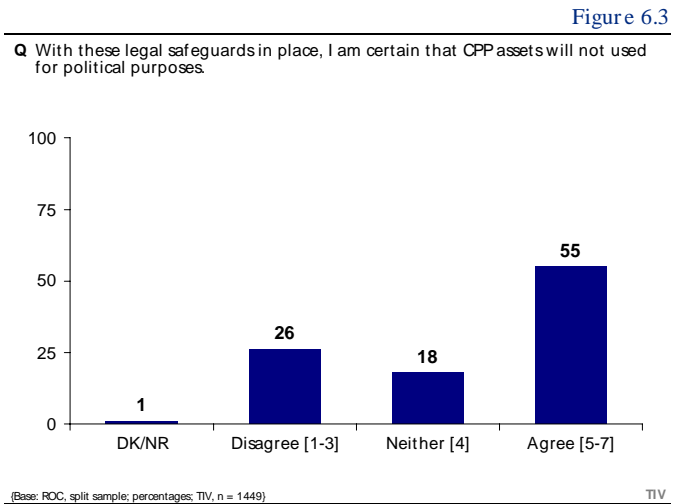
TIV

Political Influence and Asset Safeguards

Just over half agree that with legal safeguards in place CPP assets will not be used for political purposes

Canadians were asked if the legal safeguards make them “certain that CPP assets will not be used for political purposes.” More than half [55 per cent] agree. But as an indication of the general scepticism about political meddling, 26 per cent disagree [Figure 6.3].

That being said, when the strongly entrenched concerns about political interference are taken into consideration, the fact that more than half are moved to say they are “certain” this will protect against political interference is a remarkable finding.



Certain demographic groups are more sceptical than others.

- Across gender lines, slightly more men than women are sceptical — 28 vs. 23 per cent disagree, respectively.
- Investors are more likely to agree than non-investors — 57 vs. 51 per cent, respectively

Regionally, British Columbians are more likely to disagree (33 per cent) that asset safeguards give them greater conviction that there will be no political influence.

Summary of Findings

To summarize the key findings from this chapter ...

Most Canadians do not realize that CPP assets are kept separate from other government revenues

- Once they are informed that CPP assets are legally safeguarded, the great majority feel more confident about the plan
- A majority also feel that the safeguards will prevent political interference, but there are still a significant number of sceptics who have their doubts

7.0 CPP Investment Board

Awareness of the CPP Investment Board remains low, with only a small minority of Canadians having heard of it. This section tracks the level of awareness of the CPP Investment Board and media reports about it and measures some of the perceived differences between the behaviour of an individual investor and the CPP Investment Board.

In this chapter ...

- Awareness of the CPP Investment Board
- Prompted Awareness of the CPP Investment Board
- Recall of Media Reports
- Character of Media Reports
- Risk Tolerance & the CPP Investment Board
- Market Volatility & the CPP Investment Board

Unprompted Awareness of the CPP Investment Board

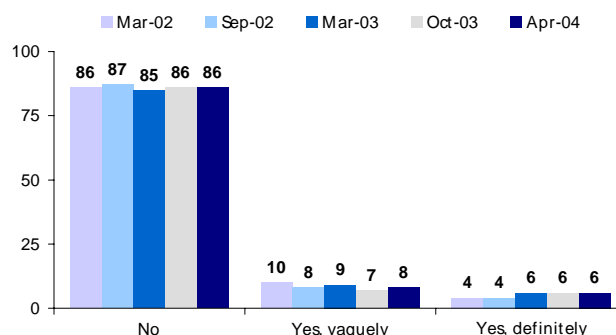
At 14 per cent overall, unprompted awareness of the CPP Investment Board remains low but steady

Asked if they have “ever heard of the Canada Pension Plan Investment Board,” Canadians continue to be largely unaware of the organization. Overall, 6 per cent say they are definitely aware and a further 8 per cent are vaguely aware for a total level of unprompted awareness of 14 per cent — consistent with each of the past four surveys [Figure 7.1].

Despite the modest levels of awareness overall, there are differences across demographic segments [Table 7.1]. These differences are consistent with those found generally for investment knowledge and other awareness indicators. The most notable are that seniors, high income and larger investors have significantly higher levels of awareness of the CPP Investment Board than do other Canadians.

Figure 7.1

Q Have you ever heard of the Canada Pension Plan Investment Board?



[Base: ROC, percentages, BM, n = 2258; TL, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001]

TIV

Table 7.1: Unprompted Awareness of the CPP Investment Board (percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ (n=768)
Definitely	4	5	5	9*	9*	7	3*	7	9*
Vaguely	8	6	6	6	6	15*	9	6*	8
No	87	89*	89*	86	86	78*	87	83*	87
	INCOME								
	<20K (n=213)	20-39K (n=319)	40-59K (n=340)	60-79K (n=276)	80-99K (n=190)	100-149K (n=201)	+150 K (n=101)		
Definitely	3*	5*	6	7	6	11*	17*		
Vaguely	10*	6	5	9	9	4	7		
No	87	89*	89*	84	85	85	76*		
	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=920)	Female (n=1081)	Yes (n=1359)	No (n=606)	<\$100K (n=825)	\$100- 249K (n=247)	\$250- 499K (n=88)	\$500K+ (n=61)	
Definitely	9*	4*	7*	4*	5*	11	13	23*	
Vaguely	9*	7*	7	8	7	8	10	8	
No	82*	89*	85	88	88*	81	77*	67*	

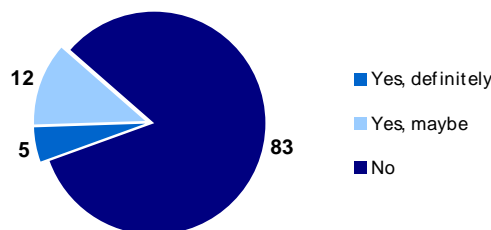
It is worth noting that there are no differences to be found regionally with unprompted awareness of the CPP Investment Board.

Prompted Awareness of the CPP Investment Board

Of those who did not recall the CPP Investment Board by name, after prompting 17 per cent say they do recall hearing about it

Those who said they did not recall ever hearing about the CPP Investment Board were read the following statement: “The Canada Pension Plan Investment Board (or CPP Investment Board) is a crown corporation responsible for managing a portion of the Canada Pension Plan assets. The CPP Investment Board is run by experienced investment professionals recruited from the private sector and they operate at arm's length from government. The earnings they obtain on investing CPP assets will be used to help ensure the long-term health of the CPP”

Figure 7.2
Q After listening to this statement, do you now recall hearing about the CPP Investment Board?



(Base: not aware without prompting; percentages TIV, n = 1725)

TIV

This group of respondents were then asked again if they recall hearing about the CPP Investment Board. Overall, 12 per cent say they now definitely recall, 5 per cent say maybe, for a total recall of 17 per cent among this group [Figure 7.2].

Combined with those who say they recall the CPP Investment Board by name only, this generates an overall level of awareness of 28¹ per cent of Canadians. While this should be recognized as a rather generous assessment of the level of awareness, it is important to note that the public (and even many journalists) tend to conflate the CPP and the CPP Investment Board so that, in some ways, this provides a more accurate assessment of whether or not people have actually heard of the organization.

It should be noted that this question, while providing some intriguing results on its own, has been included to help increase the number of respondents who could respond to questions dealing specifically with the CPP Investment Board. As a result, this 28 per cent who are aware of the CPP Investment Board will form the sample base for many of the findings presented in the rest of this report, and specifically for the measurement Reputation and Governance Indexes.

¹ Due to rounding this number is different from merely adding the frequencies in Figures 7.1 and 7.2.

Recall of Media Reports

Overall, just under 3 in 10 of those who are aware of the CPP Investment Board recall media coverage

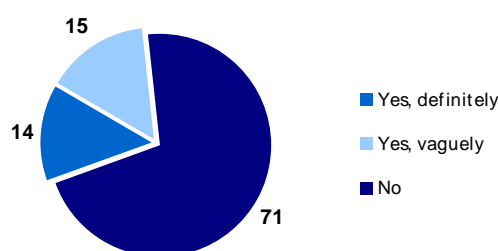
Those aware of the CPP Investment Board were asked if they recall any media reports about the organization. Overall, 14 per cent definitely recall media coverage, 15 per cent vaguely recall, for an overall level of recall of 29 per cent among the aware group [Figure 7.3].

Consistent with other recall and awareness findings, there are some predictable differences across demographic subgroups. As shown in Table 7.2, recall is higher among men, higher income individuals, those with a higher level of educational attainment, investors and particularly larger investors. There are few differences across age groups, although young adults are less likely to recall any media reports.

Although not shown in the table, there are some regional variations — those in BC are more likely to recall media reports (20 per cent definitely), while those in the prairie provinces (just 12 per cent for both definitely and vaguely) and Alberta (only 7 per cent definitely) are less likely to have any recall.

Figure 7.3

Q Do you recall any media reports about the Canada Pension Plan Investment Board?



(Base: aware of CPPIB; percentages; TIV, n = 558)

TIV

Table 7.2: Recall of Media Reports

(aware of CPPIB, percentages)

	AGE						EDUCATION		
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	LS HS (n=175)	College (n=147)	Univ. (n=230)
Definitely	6*	13	13	18	19	16	6*	10	22*
Vaguely	18	15	15	17	10	15	16	14	15
No	76	72	72	65	71	69	78*	76	63*
	INCOME								
	<\$20K (n=59)	\$20-39K (n=76)	\$40-59K (n=86)	\$60-79K (n=81)	\$80-99K (n=51)	\$100K+ (n=100)			
Definitely	6*	6*	10*	12	18	31*			
Vaguely	13	10	20*	21*	14	9			
No	81*	83*	70	67	66	59*			
	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=285)	Female (n=273)	Yes (n=384)	No (n=162)	<\$100K (n=200)	\$100-249K (n=83)	\$250K+ (n=62)		
Definitely	18*	9*	16*	9*	11*	18	31*		
Vaguely	41	17	13*	20*	8*	21	15		
No	68	74	71	71	73	59	54*		

Character of Media Reports

Of those who recall media coverage, 2 in 5 say it was positive, while just under a quarter indicate that they'd encountered negative media coverage

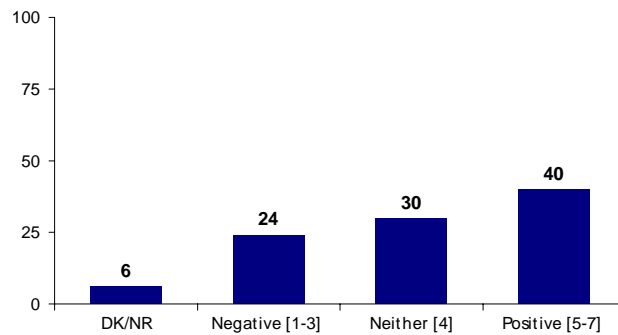
Those who recall media coverage of the CPP Investment Board were asked if the last report they had encountered was generally of a positive or negative nature. Overall, fully 40 per cent say the coverage was positive and just under one quarter felt the media coverage was negative [Figure 7.4].

While the 24 per cent reporting negative media coverage may be cause for some concern, the balance of opinion remains positive at +16 percentage points.

In general the sample base for this indicator is too small (given the combined incidence of recall for both the CPP Investment Board and media reports) for detailed subgroup analysis. That said, there is a significantly greater number of those from BC (where the incidence of recall is highest) indicating that the coverage they had encountered was negative (36 per cent).

Figure 7.4

Q Thinking about the last media report you recall hearing about the Canada Pension Plan Investment Board, in general, would you say this report was positive or negative?



(Base: aware of CPP/IB/recall media reports, percentages, n = 161)

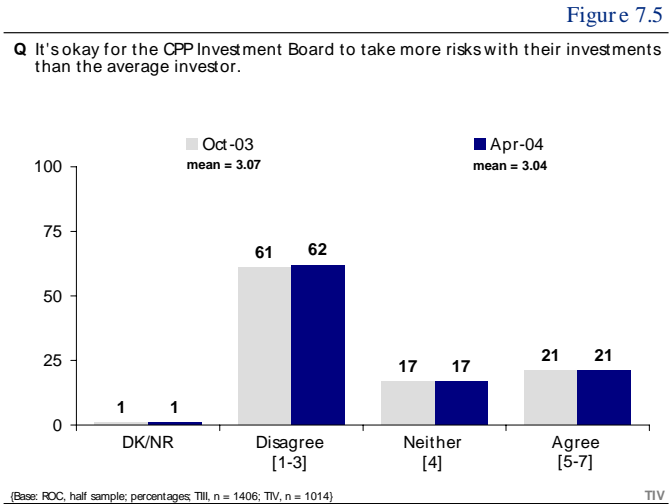
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Risk Tolerance & the CPP Investment Board

Most Canadians are opposed to the CPP Investment Board taking more risks than the average investor

After being read the statement on page 41, whether or not they are aware of the CPP Investment Board, respondents were also read the following as a preamble to the questions on this and the following page:

“The CPP Investment Board is responsible for ensuring investment returns for many generations to come. This is very different from the average investor who is planning just for their own retirement. With this in mind, how strongly do you agree or disagree with the following statements?”



Asked if it is okay for the CPP Investment Board to take more risks with their investments than the average investor, more than 6 in 10 Canadians disagree with the notion [Figure 7.5]. Only 21 per cent support the CPP Investment Board taking more risks. This is almost identical to the finding from the third tracking survey of last October.

The strongest support can be found among those under 25 years of age (36 per cent) and among those with a university education (24 per cent).

Opposition is highest in the older age segments (55 and older) — 73 per cent of seniors and 70 per cent of those aged 55-64 disagree. As well, opposition is stronger among investors than non-investors with 65 and 56 per cent disagreeing, respectively.

Regionally, British Columbians are slightly more likely to be against the CPP Investment Board taking more risks, at 67 per cent.

Market Volatility & the CPP Investment Board

Two-thirds of Canadians feel that the CPP Investment Board is better able to deal with market volatility — up almost 10 percentage points from the fall

Fully two thirds of Canadians agree that the CPP Investment Board is better able to deal with the ups and downs of the stock market than the average investor, outnumbering those who disagree by over 4 to 1 [Figure 7.6].

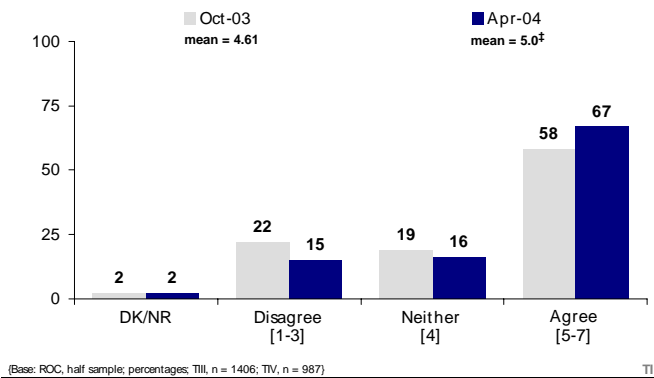
This represents an almost 10 percentage point increase since the fall in support for the idea that the CPP Investment Board can better handle market volatility than can the average investor. It is surprising that we see this increase but not a corresponding one in support of the CPP Investment Board's better risk management capability.

There are no significant differences across, gender, education, income, and regional groups or investor/non-investor status. There is some variation found across age groups, however, as the 55-64 age cohort are more likely to agree (74 per cent) while those 25-34 years of age are the less likely to do so (61 per cent).

Overall, there continues to be strong agreement that the CPP Investment Board is better equipped to deal with market volatility than is the average investor.

Figure 7.6

Q The CPP Investment Board is better able to deal with the ups and downs of the stock market than the average investor.



Summary of Findings

To summarize the key findings from this chapter ...

Without prompting, about one Canadian in seven reports being aware of the CPP Investment Board

- Awareness is higher among those with higher incomes and investments, and among seniors, but is still at low levels even among these groups
- On prompting, another one in seven remembers hearing about the CPP Investment Board, for a total awareness of 28 per cent of the adult population

Among those aware of the CPP Investment Board, just over a quarter recalls any reports about it

- Recall of positive reports outweighs negative reports almost two to one

The idea that the CPP Investment Board can take more risks than the average investor is not a popular one

- People with investments are even more likely than non-investors to oppose the idea

However, the idea that the CPP Investment Board is better placed to deal with market volatility than the average investor does resonate

8.0 Confidence

The primary objective of this ongoing research initiative is to understand changes in the confidence Canadians have in the principles, approach and mandate of the CPP Investment Board. The Confidence Index has been constructed to track these changes.

The Index is made up of a group of key indicators related to the CPP Investment Board's mandate, its operating and investment principles, as well as those measuring confidence in the economy and stock markets. Each of these indicators are analysed in detail in earlier chapters and are summarized in this section. An overall score, developed from a statistical model and based on a composite of these indicators, forms the ultimate measure of confidence in the CPP Investment Board at any one time — the Confidence Index. A detailed discussion of this model can be found in the Technical Appendix.

[In this chapter ...](#)

- Composite Confidence Index Score
- Index Segments
- Scores of Individual Index Variables
- Subgroup Differences

Composite Confidence Index Score

There has been a dip in confidence — almost back to the post-Enron environment

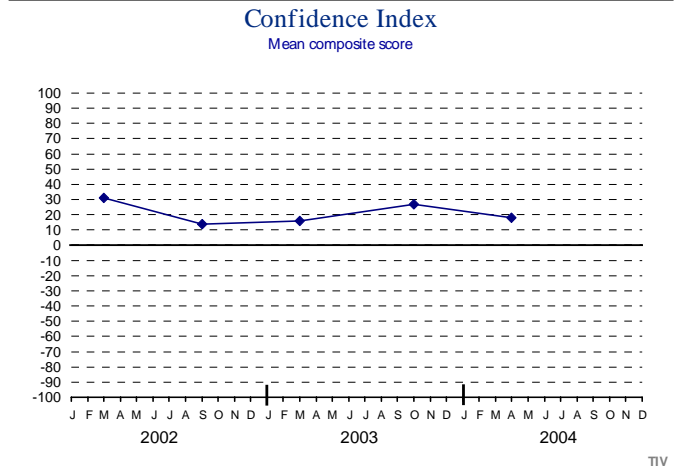
The Confidence Index is a composite mean score measured over time. The overall value for the Index is an average developed from the scores assigned to the weighted scale responses and multiplied by 100. The maximum Index score is +500, the minimum -500, although the actual results will land within a much narrower range as shown in Figure 8.1.

The study now has five data points, as shown in the chart. Overall, confidence has remained positive with scores consistently above the zero point for each of the surveys. (A score above the zero point represents a positive level of confidence; conversely, any score below zero would reflect an overall negative level of confidence.)

Between the benchmark and first tracking survey there was a softening of confidence coinciding with the corporate scandals that broke out in the US involving Enron and Worldcom — the overall Index score dropped from 31 at the Benchmark in March 2002 to 14 at the first tracking survey in September 2002. Between the first and second tracking survey (March 2003), confidence stabilized to give a score of 16 points. This rebounded almost completely back to the Benchmark in the fall of 2003 with a score of 27 points for the third tracking survey.

Since the third tracking survey, there has been a significant drop in confidence to just 19 points for April 2004. As will be discussed below, the reasons for this are in all likelihood related to a combination of factors, most notably the sponsorship and Hollinger scandals as well as the fiscal troubles facing Ontario's new government.

Figure 8.1



While the number of Canadians with strong confidence has remained steady, there has been a slight increase of those with the weakest level of confidence

The overall population can be segmented on the basis of the distribution of composite Index scores. Breaking out scores between those under minus 100 points, between minus 100 and zero, between zero and plus 100, and those over plus 100 points, reveals a segmentation of the population on the basis of confidence in the CPP Investment Board's mandate — weak, low, moderate and strong, respectively.

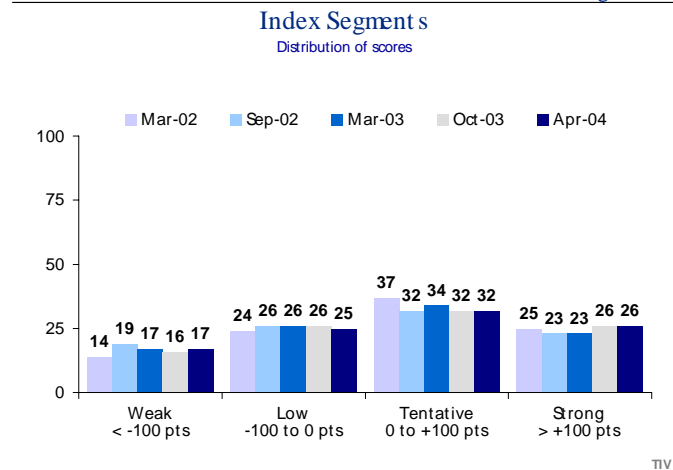
Although it is only slightly evident looking across the five data points, there is an increasing trend towards

polarization between weak and strong levels of confidence. This is perhaps more easily seen by focusing on the number situated in the low and tentative segments. Since the Benchmark, there has been a drop from 61 to 57 per cent in these two groups. Those in the tentative segment are best thought of as fence-sitters — the number in this segment has dropped by 5 percentage points since the time of the Benchmark.

There are some notable demographic differences between these groups, but their key characteristics are more attitudinal than demographic. The demographic differences are summarized in Table 8.2 below, but it is important to be mindful of what lies behind these attitudinal differences. This can be summarized as follows:

- The lower the confidence, the less aware the segments are of the CPP Investment Board.
- Lower confidence segments are also much less confident in their knowledge of investment finances and there is a progressive drop in the incidence and level of personal investments, moving from strong down to weak confidence segments
- The same progressively decreasing trends can be found across a range of key attitudinal variables, including economic confidence, risk aversion, tolerance of market volatility and so on.
- Lower confidence also correlates very strongly with attitudes towards the CPP itself — those with lower confidence are generally pessimistic about the future health and direction of the plan, conversely those with positive levels of confidence are generally more optimistic.

Figure 8.2



Scores of Individual Index Variables

The evidence suggest that the recent scandals and Ontario's fiscal challenges have had a negative impact on confidence

To understand what drives changes in the composite Index score, it is useful to track changes for the individual Index variables. In Table 8.1 below, the scores for individual variables are shown for each data point. They are ranked in ascending order of positive influence on the composite Index score (based on April 2004 results). Those having the most positive influence on the Index are at the top and those having the most negative influence on the bottom. Those with a negative score have a generally negative influence on confidence and visa versa.

The four columns on the right show the change for each variable from one survey to the next. These numbers reveal what may be driving the Index up or down. There are two key variables most responsible for the overall drop in the Index score for April — confidence in the board accountability model, with a -28 score; and confidence in the future health of the economy, with a -12 score.

Table 8.1: Index Scores for Individual Variables

(index score)

	INDIVIDUAL INDEX SCORES					GAIN/LOSS			
	Mar. 2002	Sept. 2002	Mar. 2003	Oct. 2003	Apr. 2004	Mar. 02 to Sept. 02	Sept. 02 to Mar. 03	Mar. 03 to Oct. 03	Oct. 03 to Apr. 04
Portfolio diversification (p.33)	139	130	122	130	126	-9	-8	+8	-4
Confidence in board model (p.37)	123	120	111	129	101	-3	-9	+18	-28
Confidence in CPP Market Investments (p.32)	48	45	47	59	55	-3	+2	+12	-4
Future health of the economy (p.6)	62	41	43	45	33	-21	+2	+2	-12
Confidence in long-term returns (p.35)	39	18	14	13	18	-21	-4	-1	+5
Confidence in investment professionals (p.31)	-5	-32	-21	-13	-4	-27	+11	+8	+9
Aversion to potential risks (p.34)	-17	-40	-39	-13	-20	-23	+1	+26	-7
Concerns about political influence (p.36)	-164	-200	-170	-166	-170	-36	+30	+4	-4

The drop in confidence in the board model (see Figure 5.14 above) is the most important factor. This is a significant drop and the lowest score yet recorded for this indicator. While speculative, this drop is most likely related to the federal Sponsorship Scandal as well as the Hollinger scandal. Another factor may be the negative press coverage reported by British Columbians — they report much lower confidence in the board accountability model than other Canadians (see page 31).

Weaker confidence in the future of the economy is also a significant factor in the overall drop in confidence. As discussed on page 6, this drop has occurred almost entirely in Ontario, suggesting that it is likely tied to the new government's much publicized fiscal challenges.

Subgroup Differences

The Index scores for various demographic segments help to elucidate where the changes in confidence are occurring (e.g., investors or non-investors). Table 8.2 below shows these differences across a number of different subgroups.

Table 8.2: Index Scores for Various Subgroups
(index score)

	INDEX SCORES					GAIN/LOSS			
	March 2002	Sept. 2002	March 2003	Oct. 2003	April 2004	Mar. 02 to Sept. 02	Sept. 02 to Mar. 03	Mar. 03 to Oct. 03	Oct. 03 to April 04
INCOME									
\$100,000 and over	58	42	49	74	54	-16	+7	+25	-20
\$80,000 to \$99,999	53	26	42	51	45	-17	+16	+9	-6
\$60,000 to \$79,999	46	20	27	41	15	-26	+7	+14	-26
\$40,000 to \$59,999	38	11	20	17	6	-27	+9	-3	-11
\$20,000 to \$39,999	21	15	-3	14	21	-6	-18	+17	+7
Under \$20,000	4	-12	1	6	-15	-8	+13	+5	-21
EDUCATION									
University	55	32	43	53	34	-23	+11	+10	-19
College	25	2	6	16	10	-23	+4	+10	-6
High school or less	12	4	-6	6	7	-8	-10	+12	+1
AGE									
65 and over	46	19	7	25	23	-27	-12	+18	-2
45 to 64	35	12	25	26	17	-23	+13	+1	-16
25 to 44	32	12	15	32	14	-20	+3	+17	+2
Under 25	12	18	10	22	28	+6	-8	+12	+6
GENDER									
Male	45	22	29	42	26	-23	+7	+13	-16
Female	16	5	3	13	10	-11	-2	+10	-3
INVESTOR									
Yes	43	26	31	39	31	-17	+5	+8	-8
No	-1	-12	-20	0	-7	-11	-8	+20	-7

The far right column reveals the shift in confidence, positive or negative, for each of the various subgroups. The most pronounced drops in confidence can be found among men, university educated individuals, those between 45 and 64, as well as the highest and lowest income earners and middle income earners, many of which groups are usually the most sympathetic toward the CPP Investment Board's mandate and activities.

That the drop off has occurred among these groups and not investors, reinforces the view that it is not specifically related to markets or economic performance.

Summary of Findings

To summarize the key findings from this chapter ...

Confidence has dropped off significantly

- There has been a significant drop in confidence since the fall from 27 to 19 points — almost fully back to the levels recorded after the Enron and Worldcom scandals broke

The drop in confidence is related primarily to governance and economic confidence

- These two indicators are most responsible for the drop in confidence, suggesting that there are likely two key factors at play:
 - » The federal sponsorship scandal and the much publicized controversy surrounding Hollinger
 - » Concerns about the fiscal challenges facing Ontario's new government
- Indicators related to investing CPP assets have remained comparatively stable

Confidence has dropped among those most tuned into current affairs

- High income earners and university educated individuals have seen the greatest drop in confidence
- Given that these two segments are most tuned into current affairs suggests that issues receiving a great deal of media coverage are at play (e.g., sponsorship scandal, Hollinger, Ontario's deficit)
- That there is no difference in the drop between investors and non-investors supports the notion that the dip in confidence is unrelated to market and broader economic performance variables
- BC residents are also a group with lower confidence and at the same time are much more likely to report negative media coverage of the CPP Investment Board; the major recent controversies with the BC government and its attempted cut backs is also likely at play here

9.0 Reputation

This survey introduces a new index to measure reputation — the Reputation Index. The Reputation Index is based only on those people who are aware of the CPP Investment Board (page 47). It is made up of four questions, one that has been tracked since the Benchmark which measures perceptions of investment performance, and three new indicators — overall impression of the CPP Investment Board, belief in what the organization is doing, and trust in the CPP Investment Board's investment professionals. Together these four indicators are used to develop a composite index score in the same fashion as has been used for the Confidence Index. This chapter discusses the findings for the first sounding of the Reputation Index, including a detailed analysis of each of its variables.

In this chapter ...

- Performance of Investment Activities
- Overall Impression of the CPP Investment Board
- Trust in the CPP Investment Board's Investment Professionals
- Belief in What the CPP Investment Board is Doing
- Reputation Index
- Summary of Reputation Index Variables

Performance of Investment Activities

Those who feel the CPP Investment Board's investment performance is good outnumber those who say it's poor by almost 4 to 1

The first indicator of the Reputation Index measures ratings of the performance of CPP Investment Board's investment activities. As shown in Figure 9.1, 38 per cent of those who are aware of the CPP Investment Board rate the performance as good, while 10 per cent say it is poor — a positive balance of opinion of +28 percentage points. Over half of this respondent group either say neither (43 per cent) or have no response (10 per cent).

It is worth noting how the responses spread out on the 7-point scale. While 38 per cent give a good rating, two-thirds of these 'good' performance ratings are on the lower end of the spectrum.

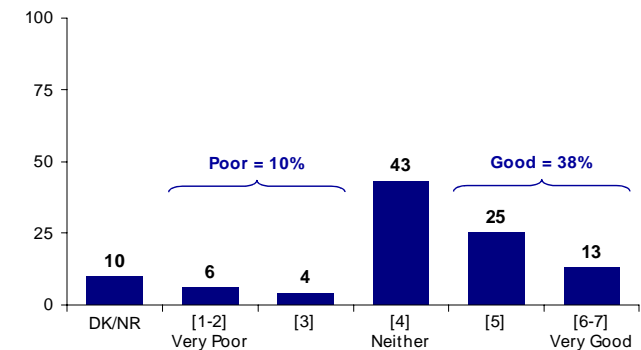
On this reputation variable there are only a few variations across demographic subgroups and no significant differences regionally.

- Women are less likely than men to rate investment performance as either good or bad — men are more likely than women to give a good performance rating (43 vs. 32 per cent, respectively), but women are less likely than men to rate performance as poor (7 vs. 12 per cent)
- Those in the 25 to 34 year old segment are less likely to give a good performance rating (27 per cent) and more likely to rate performance as poor (17 per cent); young adults and the pre-retirement subgroup are more likely to give a favourable performance rating (both at 47 per cent)
- High income earners (\$100,000 and over) are more likely to give a poor rating (17 per cent), but no less likely to rate performance as good

On the whole, there are no wild swings in ratings across demographic or regional subgroups and the worst ratings found among any segment do not go over 17 per cent poor.

Figure 9.1

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



(Base: aware of CPPIB; percentages, TIV, n = 558)

TIV

Overall Impression of the CPP Investment Board

In general, those aware of the CPP Investment Board have a positive overall impression — one half say positive and just over 1 in 10 say their overall impression is negative

The second indicator in the Reputation Index measures overall impression of the CPP Investment Board. Just under half (49 per cent) say their overall impression is positive, while only 12 per cent have a negative impression [Figure 9.2] — the positives outweigh the negatives by 4 to 1 or 37 percentage points.

Unlike the performance ratings on the previous page, almost half of the positive responses are on the higher end of the scale or 'very positive'.

Overall impression of the CPP Investment Board varies by gender, age and income as shown in Table 9.1. To summarize: men, young adults, those 55 and over, and low income earners are more positively disposed towards the CPP Investment Board; women and those aged 25 to 54 are less positive, and especially individuals aged 25 to 34, 22 per cent of whom say they have a negative overall impression.

There are no notable differences across other demographic segments and none regionally outside of Atlantic Canadians, who have a slightly less positive impression.

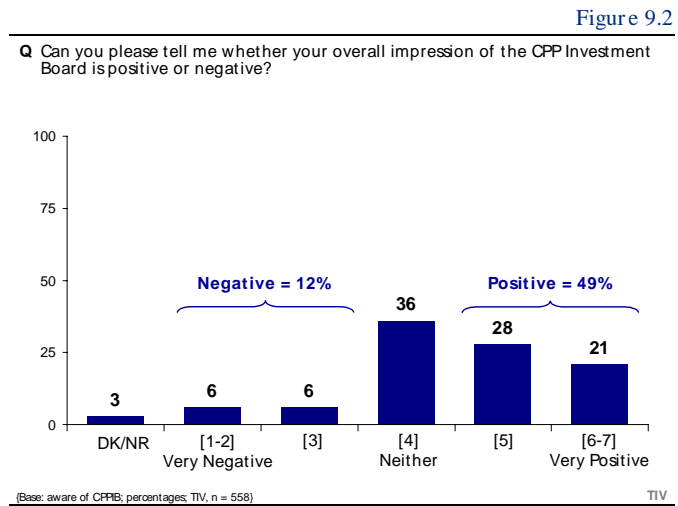


Table 9.1: Overall Impression of the CPP Investment Board

(aware of CPPIB, percentages)

	AGE						GENDER	
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	Male (n=285)	Female (n=273)
Positive (5-7)	73*	35*	42*	39*	58*	51	54*	44*
Neither (4)	19*	40	42	44*	26	40	31*	41*
Negative (1-3)	9	22*	14	13	5*	6*	13	10
	INCOME							
	<\$20K (n=59)	\$20-39K (n=76)	\$40-59K (n=86)	\$60-79K (n=81)	\$80-99K (n=51)	\$100K+ (n=100)		
Positive (5-7)	64*	47	55	37*	49	47		
Neither (4)	25*	36	31	45*	34	36		
Negative (1-3)	6	13	11	14	15	14		

Trust in the CPP Investment Board’s Investment Professionals

There is a healthy level of trust in the CPP Investment Board’s investment professionals

The third variable in the Reputation Index measures trust in the CPP Investment Board’s investment professionals. Overall, fully one half of those who are aware of the CPP Investment Board have a high level of trust in its investment professionals after being read the statement in Figure 9.3. The number who express high trust outnumber those with little trust by a factor of 3 to 1 (or 50 vs. 17 per cent).

While these numbers are fairly well distributed between the “5” responses and ‘very high trust’ (6-7), it needs to be noted that only 5 per cent say they have an “extremely high level of trust” (“7”).

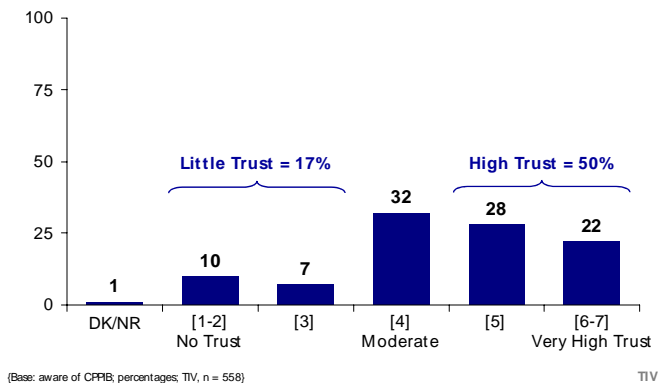
Placed in context, trust is generally a scarce resource in public opinion. EKOS conducts extensive research into trust and ethics relating to various occupations, and these findings can be considered at least above average, and certainly above what is normally found for private sector occupations. In part, this is a result of the extensive context provided throughout the survey (this question is asked near the very end of the interview).

There are some variations in trust across demographic and regional subgroups:

- Those between 25 and 34 years of age show significantly lower trust — 26 per cent ‘little trust’ and only 35 per cent ‘high trust’; Boomers have a greater level of trust, on the other hand — 59 per cent ‘high trust’
- University educated individuals report higher trust (55 per cent ‘high trust’), while those with a college education have lower levels of trust — 42 per cent ‘high trust’, 22 per cent ‘little trust’
- Not surprisingly, investors express higher trust than non-investors (54 vs. 42 per cent ‘high trust’, respectively)
- Ontarians are slightly less likely to extend trust to the CPP Investment Board’s investment professionals — 45 per cent ‘high trust’

Figure 9.3

Q As mentioned earlier, the CPP Investment Board is run by experienced investment professionals who are responsible for investing CPP assets to help ensure the long-term health of the CPP. How much do you trust that these investment professionals are doing what’s best for the long-term health of the CPP?



Belief in What the CPP Investment Board is Doing

Those who believe in what the CPP Investment Board is doing outnumber those who don't by almost 4 to 1, but many are sitting on the fence

The fourth and final indicator in the Reputation Index measures the extent to which people believe in what the CPP Investment Board is doing. Overall, 45 per cent agree with the statement, "I really believe in what the CPP Investment Board is doing," compared to 12 per cent who disagree [Figure 9.4] — a difference of almost 4 to 1 or +33 points on balance.

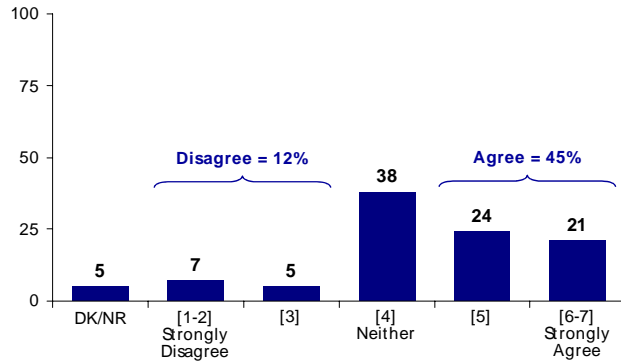
The number who strongly agree (21 per cent) is almost equal with those who just agree (24 per cent).

There are very few differences across demographic subgroups on this indicator and none across regions. The few differences that do exist can be summarized as follows:

- Once again, the 25 to 34 age cohort is more offside than any other age group — just 29 per cent agree with the statement
- Among investors, the level of investments is a factor: smaller investors (under \$100,000 in assets) are less likely than larger investors to agree (\$250,000 in assets) — 40 vs. 61 per cent, respectively

Figure 9.4

Q I really believe in what the CPP Investment Board is doing.



(Base: aware of CPPIB; percentages, TIV, n = 558)

TIV

Reputation Index

On the first sounding, the Reputation Index shows a positive lean

A composite mean score based on the four indicators presented in the previous pages of this chapter are used to construct a Reputation Index. The composite score is constructed in exactly the same fashion as the Confidence Index, as it is outlined in the Technical Appendix — the scales of the Index variables are repositioned around a zero point, they are weighted on the extreme ends, then the mean scores are used to construct a composite that is factored by 100 to provide the Index score.

This index will be monitored over time as with the Confidence Index. Since this is the first sounding of the Reputation Index, we only have one score point. As shown in Figure 9.5, this is the mean score of 62 — a figure that significantly higher than the 19 points registered for the current Confidence Index score.

The focus of Figure 9.5 is to show how the overall population of those who are aware of the CPP Investment Board fall out with respect to their attitudes towards reputation. As can be seen there is a decidedly positive lean with almost two-thirds (65 per cent) above the zero point. Additionally, those who assess reputation as good outweigh those who view it poorly by a factor of just over 2 to 1 (30 vs. 13 per cent).

There are few differences in the Reputation Index scores along demographic lines, as outlined in Table 9.2 below. Young adults are more negative about the CPP Investment Board's reputation than other age groups, while those without a postsecondary education are significantly more positive, as is the case with larger investors.

Figure 9.5

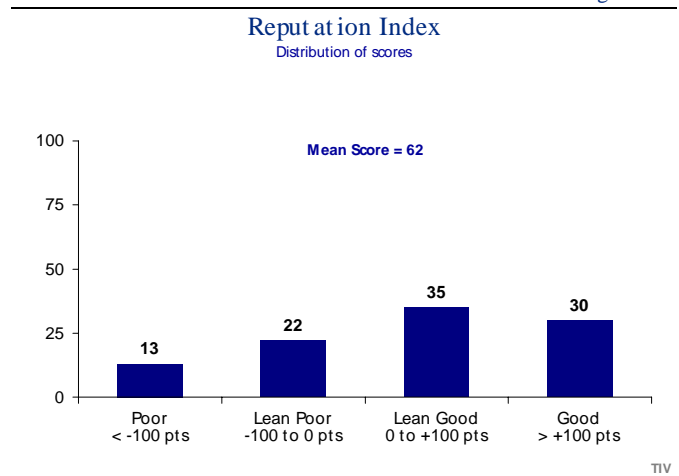


Table 9.2: Reputation Index
(aware of CPPIB, composite index score)

	AGE						EDUCATION		
	<25 (n=67)	25-34 (n=80)	35-44 (n=105)	45-54 (n=88)	55-64 (n=67)	65+ (n=72)	LS HS (n=150)	College (n=128)	Univ. (n=201)
Index Score	73	14	47	73	102	84	97	49	46
	INCOME								
	<\$20K (n=51)	\$20-39K (n=68)	\$40-59K (n=79)	\$60-79K (n=71)	\$80-99K (n=47)	\$100K+ (n=86)			
Index Score	95	81	69	34	57	44			
	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=254)	Female (n=231)	Yes (n=324)	No (n=149)	<\$100K (n=173)	\$100-249K (n=70)	\$250K+ (n=51)		
Index Score	65	58	65	63	64	76	82		

Summary of Reputation Index Variables

The composite score for the Reputation Index is based on the mean scores of the individual Index variables. These scores are summarized in Table 9.3 below.

Table 9.3: Individual Index Scores for Variables

(index score)

VARIABLES	INDEX SCORE
Overall impression of the CPP Investment Board (p. 61)	+73
Belief in the CPP Investment Board's activities (p.63)	+68
Trust in CPP Investment Board's investment professionals (p.62)	+57
Performance of investment activities (p.60)	+50
Composite Reputation Index Score	+62

Unlike the Confidence Index where there are strong differences between the scores of individual Index variables, the range of scores for Reputation Index variables is fairly narrow — just 23 points separates the highest scoring variable from the lowest. Another key difference is that each variable has a positive score. In other words, no one factor draws the Reputation Index up or down — attitudes lean positive across each measure of reputation.

These scores will vary over time and it is likely that some will fluctuate more than others (e.g., performance).

Summary of Findings

To summarize the key findings from this chapter ...

The Reputation Index reveals a generally positive disposition towards the CPP Investment Board

- With a composite score of 62 points the Reputation Index reveals that the CPP Investment Board enjoys a fairly solid reputation among those who are aware of it

Overall, about a third are sitting on the fence with respect to the CPP Investment Board's reputation

- Reflecting the organization's low profile to date, between a third and a half of those responding to Reputation Index questions provided no real opinion (i.e., either "neither" or non-responses)

Performance ratings are good but many are sitting on the fence

- While there is an overall lean towards good performance ratings on the CPP Investment Board's investment activities, more than half give neither a positive nor negative rating
- As more people become aware of the CPP Investment Board and its performance this indicator will likely see more ratings one way or the other, and may also fluctuate as short-term performance goes up and down

In general, people feel positively about the CPP Investment Board

- When asked their overall impression and also whether or not they really believe in what the CPP Investment Board is doing, Canadians provide some of the most favourable responses about the organization uncovered in this research

Investment professionals tend to help the organization's reputation

- As with confidence, investment professionals tend to be an asset to the CPP Investment Board's reputation — exactly one half agree that they trust them to do what's best for the CPP

10.0 Governance

This chapter explores issues surrounding corporate governance and specifically the governance model used by the CPP Investment Board. The centre of this chapter is a new Governance Index which distils five key indicators on governance relating to the CPP Investment Board. These indicators measure the extent to which the CPP Investment Board's governance model engenders trust and confidence with respect to accountability and political independence. The Governance Index will be used to monitor changing attitudes towards the CPP Investment Board's governance over time.

The chapter starts with some baseline measures on corporate governance to help provide context for the governance issues explored for the CPP Investment Board. Each of the five variables of the Index is then analysed in detail. The chapter concludes with an exposition of the new Governance Index.

In this chapter ...

- Awareness of Corporate Governance
- Expertise of Canadian Boards
- Accountability of Canadian Management
- CPP Investment Board Governance Model
- Expertise and Selection of Board Members
- Non-partisanship of the Board
- Accountability of Management Team
- Independence of Management Team
- Governance Index

Awareness of Corporate Governance

Awareness of corporate governance extends to no more than 4 in 10

As a baseline measure of awareness and attitudes towards corporate governance, respondents were presented with a series of related questions early on in the survey. The first question asked, “have you ever heard of the term ‘corporate governance’?”

Overall, one quarter say they have definitely heard of the term, another 15 per cent feel they may have heard of the term, for an overall awareness level of 40 per cent [Figure 10.1].

Awareness follows predictable patterns as laid out in Table 10.1 — education, income, gender and investments being the key variables.

Regionally, those from BC and the Prairie provinces show the highest levels of awareness (both at 47 per cent). Albertans (36 per cent), Ontarians (38 per cent) and Atlantic Canadians (37 per cent) show lower than average awareness.

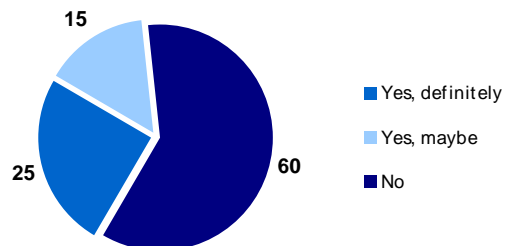
Fully one half of those who are aware of the CPP Investment Board are aware of the term.

Table 10.1: Awareness of “Corporate Governance”
(percentages)

	AGE						EDUCATION		
	< 25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Definitely	17*	21*	28*	32*	27	23	15*	19*	38*
Vaguely	16	15	14	14	12	18*	16	14	15
No	67*	65*	57	54*	61	58	69*	68*	47*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100-149K (n=201)	\$150 K (n=101)		
Definitely	15*	17*	22*	28	27	35*	59*		
Vaguely	14	17*	16	12	15	16	5*		
No	71*	65*	62*	59	59	49*	36*		
	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=920)	Female (n=1081)	Yes (n=1359)	No (n=606)	<\$100K (n=825)	\$100-249K (n=247)	\$250-499K (n=88)	+\$500K (n=61)	
Definitely	29*	21*	30*	15*	24*	38*	44*	59*	
Vaguely	16*	14*	15	15	15	18	10	7*	
No	54*	66*	55*	69*	61*	44*	46	34*	

Figure 10.1

Q I'd now like to ask you a few questions about corporate governance. Have you ever heard the term "corporate governance"?



(Base: ROC; percentages; TIV, n = 2001)

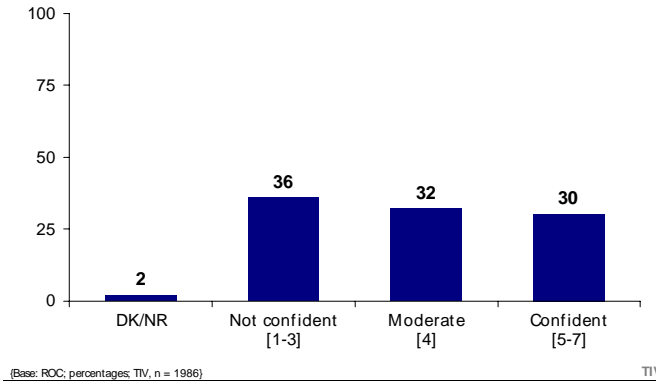
TIV

Confidence in the expertise of the board of large Canadian organizations is modest

After measuring awareness of corporate governance, respondents were read the following: “Broadly speaking corporate governance refers to mechanisms that are put in place to help ensure that the management teams and employees of large organizations perform to the best of their abilities and in accordance with established laws pertaining to their field of business. There are two basic features of corporate governance. First, a management team, headed by a Chief Executive Officer or CEO, supervises the work of employees. Second, the management of an organization and its CEO are accountable to a board of directors, which is made up of people from outside the organization.”

Figure 10.2

Q Thinking generally about large Canadian organizations that follow this corporate governance model, how confident are you that the individuals who sit on boards of directors have the necessary expertise to properly evaluate the performance of these organizations' management teams?



They were then asked to rate their confidence in the expertise of the boards of large Canadian organizations [Figure 10.2]. Overall, just 3 in 10 are confident that “the individuals who sit on boards of directors have the necessary expertise to properly evaluate the performance of [large Canadian] organizations’ management teams.” More than two-thirds say they are no more than “moderately” confident in the expertise of Canadian boards.

As shown in Table 10.2, there are variations in confidence across age, education, gender and region. Confidence tends to decrease with age, but increase with education. Men are more confident in the expertise of Canadian boards than are women. Regionally, confidence is weakest in BC and the Prairies and strongest in Alberta. There are no significant variations of interest across income and investors.

Table 10.2: Confidence in Expertise of Boards (percentages)

	AGE						EDUCATION		
	<25 (n=211)	25-34 (n=343)	35-44 (n=434)	45-54 (n=406)	55-64 (n=293)	65+ (n=282)	LS HS (n=658)	College (n=543)	Univ. (n=764)
Confident (5-7)	45*	34*	30	25*	21*	26*	25*	32	34*
Moderate (4)	27	29	32	33	33	35	36*	31	28*
Not confident (1-3)	26*	35	36	41*	44*	36	37	35	37
	GENDER		REGION						
	Male (n=913)	Female (n=1073)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=982)	Atlantic (n=193)		
Confident (5-7)	32*	28*	29	36*	29	30	28		
Moderate (4)	31	33	27*	25*	25*	34*	41*		
Not confident (1-3)	36	33	42*	37	43*	34*	32		

Although not shown in the table, those who are aware of the CPP Investment Board are slightly more likely to express confidence than those who are not aware — 35 vs. 28 per cent say they are confident (5-7 on 7 point scale), respectively.

Accountability of Canadian Management

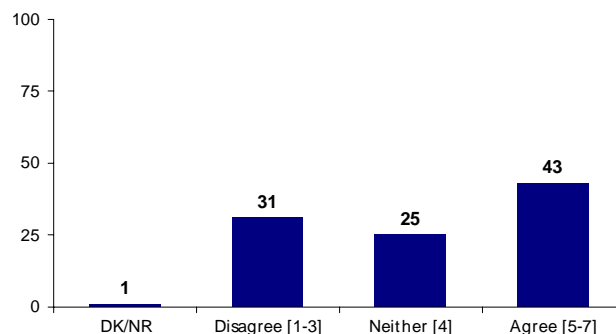
Less than a half trust that the management teams of large Canadian organizations are accountable to their boards of directors

Respondents were then asked if they “trust that the management teams of large Canadian organizations are accountable to their boards of directors.”

Overall, just over 4 in 10 trust the accountability of management in general [Figure 10.3]. Demonstrating that trust does not come easily for large organizations, almost a full third are unwilling to extend trust to management accountability.

There are some slight regional and demographic variations in trust [Table 10.3]. Men, higher income individuals, investors and those with postsecondary education are all somewhat more likely to trust management accountability. Ontarians are slightly less likely to reject the trust proposition. Some groups are notably more offside than others — the pre-retirement cohort, those between 25 and 34, and British Columbians are all more likely than other Canadians to disagree with the statement in Figure 10.3.

Figure 10.3
Q I trust that the management teams of large Canadian organizations are accountable to their boards of directors.



(Base: ROC, percentages; TIV, n = 1,999)

TIV

Table 10.3: Accountability of Management (percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=436)	45-54 (n=408)	55-64 (n=294)	65+ (n=284)	LS HS (n=663)	College (n=547)	Univ. (n=768)
Agree (5-7)	48*	41	46	43	38*	39	39*	44	45
Neither (4)	29	21*	23	24	24	29*	31*	23	21*
Disagree (1-3)	21*	35*	31	32	38*	28	29	30	33*
	INCOME						INVESTOR		
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100K+ (n=302)	Yes (n=1357)	No (n=606)	
Agree (5-7)	39*	43	37*	46	51*	50*	44*	40*	
Neither (4)	29*	23	27*	22	23	17*	24	27	
Disagree (1-3)	29	33	35*	30	24*	32	31	31	
	GENDER		REGION						
	Male (n=918)	Female (n=1081)	BC (n=354)	Alberta (n=277)	Prairies (n=180)	Ontario (n=992)	Atlantic (n=196)		
Agree (5-7)	46*	40*	43	44	41	43	39		
Neither (4)	23*	26*	18*	19*	21	27*	36*		
Disagree (1-3)	30	32	38*	35	36	28*	25*		

There are no differences by awareness of the CPP Investment Board on this indicator. Awareness of the sponsorship scandal (see Chapter 11) is a factor, however — those who are aware of the scandal are more distrustful than those who are not (35 vs. 28 per cent disagree, respectively).

Confidence in board model is strong with over 6 in 10 feeling it lends itself to sound investment decisions that are in the best interests of the CPP

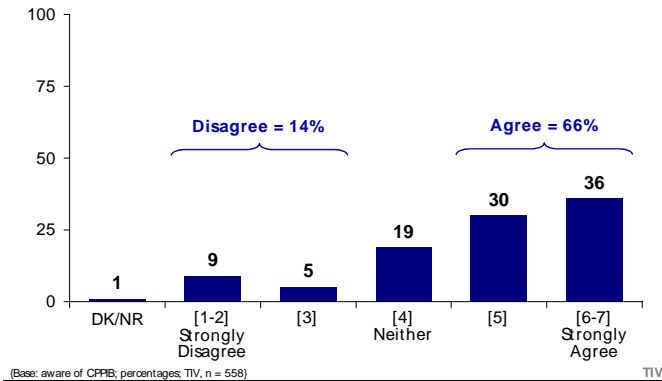
Although this indicator is discussed in Chapter 5 on page 37, the findings presented here are restricted to the same subgroup that responds to the Governance Index (those who are aware of the CPP Investment Board). This is the first of five indicators used to construct the Governance Index.

Overall, 66 per cent of those aware of the CPP Investment Board agree that the governance model is good for the CPP [Figure 10.4]. More importantly perhaps, more than one third (36 per cent) strongly agree with the governance model. This compares to just 14 per cent who are opposed, including just 9 per cent strongly opposed to the notion that the governance model lends itself to proper investment decisions for ensuring the long-term health of the CPP.

It should be noted that those who are aware of the CPP Investment Board are more positively disposed towards its governance model than are those who are not aware of the organization. It is worth keeping in mind that the Governance Index findings will therefore be slightly more positive than would be the case if this involved the general population, including both those who are aware and those who are unaware of the CPP Investment Board.

Figure 10.4

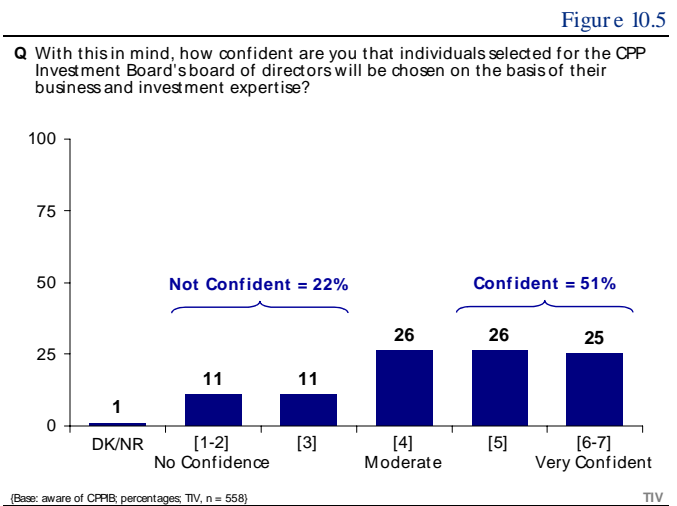
Q If investment professionals recruited to invest CPP assets were fully accountable to a board of directors with business and investment expertise, I am confident that they would make investment decisions that are best suited to ensuring the long-term health of the CPP.



Expertise and Selection of Board Members

Three quarters are at least moderately confident that board members are selected on the basis of their business and investment expertise

Following the series of questions on the CPP Investment Board's reputation, the aware group were read the following: "The CPP Investment Board has a board of directors that is responsible for supervising the management team at the CPP Investment Board. A formal procedure is in place to ensure that individuals are selected for this board of directors on the basis for their business and investment expertise. An independent nominating committee recommends a list of candidates to the federal finance minister who then in consultation with the provinces decides who is selected from this list to sit on the board of directors — there must be broad agreement across each government as to who is selected."



As the second of five indicators for the Governance Index, respondents were then asked how confident they are that board members are chosen on the basis of their business and investment expertise. One half indicate that they are confident, including a quarter who say they are very confident [Figure 10.5]. This compares to just 22 per cent who say they are not confident in the selection process. These results are decidedly more favourable than for Canadian boards generally (page 69), where just 35 per cent of those who are aware of the CPP Investment Board are confident in board expertise.

There are only minor variations across demographic subgroups. 25 to 34 year olds are again more negative than other segments (albeit only slightly), as is the case for university educated individuals. Regionally, Albertans as slightly less confident, while Prairie residents are noticeably more confident.

There are no differences across income and investment groups, mirroring the findings discussed above with respect to confidence in the expertise of Canadian boards generally.

Table 10.4: Expertise and Selection of Board Members

(aware of CPPIB; percentages)

	AGE						EDUCATION		
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	LS HS (n=175)	College (n=147)	Univ. (n=230)
Confident (5-7)	57	50	48	51	48	52	51	51	50
Moderate (4)	23	20	27	26	33	29	29	30	21*
Not confident (1-3)	19	30*	25	22	17	16	18*	17	28*
	GENDER		REGION						
	Male (n=285)	Female (n=273)	BC (n=96)	Alberta (n=78)	Prairies (n=52)	Ontario (n=279)	Atlantic (n=53)		
Confident (5-7)	53	48	54	49	70*	48	44		
Moderate (4)	23*	30*	22	21	15*	27	43*		
Not confident (1-3)	23	20	23	30*	14	22	13		

A plurality are confident that the board is non-partisan but a full quarter are not — overall the results are mixed

After being asked about the selection procedure, respondents were read the following: “The selection procedure we just described to you is designed to ensure that individuals are selected for the board of directors of the CPP Investment Board in a non-partisan manner. This is because at any given time the federal and provincial governments are led by different political parties.”

For the third Governance Index variable, respondents were then asked how confident they are that the board of directors is non-partisan. Just over 4 in 10 express confidence and only 16 per cent say they are very confident in the non-partisanship of the board [Figure 10.6]. While the lean is confident, the margin between ‘very confident’ and ‘no confidence’ is quite narrow.

This indicator produces a number of generally minor variations across demographic subgroups, as revealed in Table 10.5 — high incidences of low confidence among 25 to 34 year olds, university educated, and high income groups; stronger confidence for investors and men.

Although not shown here, it is worth noting that there is no difference on this indicator between those who are aware of asset safeguards and those who are not.

Figure 10.6

Q With this in mind, how confident are you that the CPP Investment Board's board of directors is non-partisan?

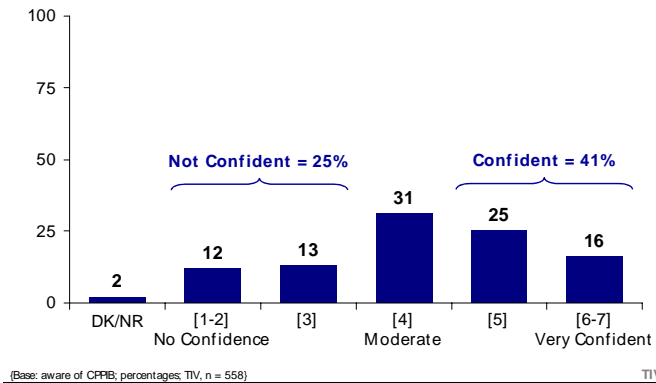


Table 10.5: Non-partisanship of the Board

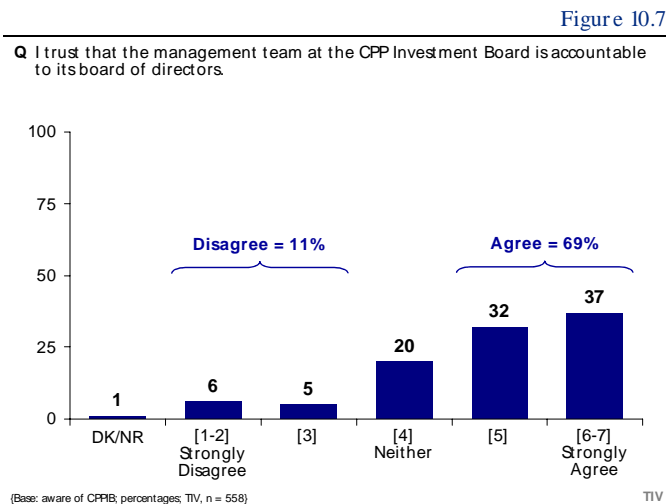
(aware of CPPIB; percentages)

	AGE						EDUCATION		
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	LS HS (n=175)	College (n=147)	Univ. (n=230)
Confident (5-7)	44	33*	41	46	46	43	38	46	41
Moderate (4)	41*	31	31	26	26	32	38*	33	25*
Not confident (1-3)	13*	34*	28	28	28	20	19*	21	33*
	INCOME						INVESTOR		
	<\$20K (n=59)	\$20-39K (n=76)	\$40-59K (n=86)	\$60-79K (n=81)	\$80-99K (n=51)	\$100K+ (n=100)	Yes (n=384)	No (n=162)	
Confident (5-7)	42	39	37	39	45	42	46*	32*	
Moderate (4)	35	36	36	35	28	19*	28*	40*	
Not confident (1-3)	14*	22	27	25	26	38*	24	25	
	GENDER		REGION						
	Male (n=285)	Female (n=273)	BC (n=96)	Alberta (n=78)	Prairies (n=52)	Ontario (n=279)	Atlantic (n=53)		
Confident (5-7)	45*	37*	42	43	50	41	33		
Moderate (4)	27*	37*	27	21*	33	33	45*		
Not confident (1-3)	27	24	29	32	16	25	22		

Accountability of the Management Team

Almost 7 in 10 trust that the CPP Investment Board’s management team is accountable to the board of directors

Following probing on confidence in the board’s expertise and non-partisanship, respondents were read the following: “The board of directors hires, evaluates and, if necessary, fires the Chief Executive Officer for the CPP Investment Board. This individual selects and leads the management team at the CPP Investment Board. This management team reports to the board of directors, not the government. This is very different from other crown corporations where the Chief Executive Officer is selected by government and often reports directly to a cabinet minister.”



For the fourth Governance Index variable, they were then asked their agreement with the statement: “I trust that the management team of the CPP Investment Board is accountable to its board of directors.” Overall, almost 7 in 10 agree, including 37 per cent who ‘strongly agree’ [Figure 10.7]. Only a small minority do not trust that the management team is accountable to the board of directors.

It should be noted that these findings are decidedly more favourable than those shown above with respect to trust in management accountability to boards for large Canadian organizations generally, where only 43 per cent agree with the same proposition stated generically (page 70).

As with most other governance-related indicators, there are only slight variations along demographic lines, and none by region [Table 10.6]. The 25 to 34 age cohort is slightly less positive, while investors are slightly more positive. There are no significant differences by education or gender.

Table 10.6: Accountability of Management Team

(aware of CPPIB; percentages)

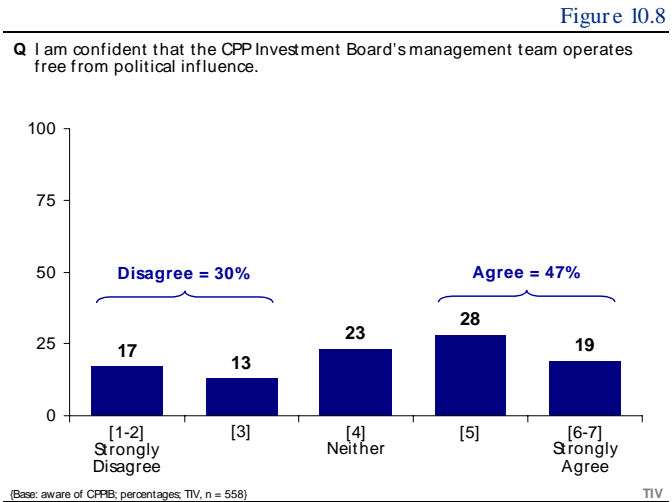
	AGE						EDUCATION		
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	LS HS (n=)	College (n=)	Univ. (n=)
Agree (5-7)	67	61*	69	69	70	76	67	67	71
Neither (4)	25	17	22	19	18	17	23	23	16*
Disagree (1-3)	7	21*	8	11	10	5*	9	10	13
	INCOME						INVESTOR		
	<\$20K (n=59)	\$20-39K (n=76)	\$40-59K (n=86)	\$60-79K (n=81)	\$80-99K (n=51)	\$100K+ (n=100)	Yes (n=384)	No (n=162)	
Agree (5-7)	73	66	64	60*	80	73	72*	64*	
Neither (4)	20	22	25	22	17	14	17*	26*	
Disagree (1-3)	7*	12	10	18*	2*	13	11	9	

Independence of the Management Team

Confidence in the management team's political independence is, not surprisingly, lukewarm

For the fifth and final Governance Index variable, those aware of CPP Investment Board were asked to agree or disagree with the statement: "I am confident that the CPP Investment Board's management team operates free from political influence."

Overall, less than half agree and less than 1 in 5 agree strongly, in keeping with other findings about political independence [Figure 10.8]. As a further indication of how sceptical people are about political influence, the number who strongly disagree that management operates free from political influence is almost equal to the number who strongly agree.



As shown in Table 10.7, those between 25 and 34 are the only age group where more disagree than agree. Confidence in political independence tails off with increased income and education. Prairie residents are noticeably more likely to feel the management team is free from political influence.

Table 10.7: Independence of Management Team

(aware of CPPIB; percentages)

	AGE						EDUCATION		
	<25 (n=69)	25-34 (n=85)	35-44 (n=119)	45-54 (n=107)	55-64 (n=81)	65+ (n=90)	LS HS (n=175)	College (n=147)	Univ. (n=230)
Agree (5-7)	49	32*	43	50	47	58*	50	47	44
Neither (4)	25	26	21	21	28	19	24	24	21
Disagree (1-3)	26	42*	36*	28	25	22*	25*	30	35*
	INCOME						INVESTOR		
	<\$20K (n=59)	\$20-39K (n=76)	\$40-59K (n=86)	\$60-79K (n=81)	\$80-99K (n=51)	\$100K+ (n=100)	Yes (n=384)	No (n=162)	
Agree (5-7)	53	44	46	42	44	43	48	44	
Neither (4)	28	29	26	23	19	16	21*	28*	
Disagree (1-3)	18*	27	27	35	37	41*	31	27	
	GENDER		REGION						
	Male (n=285)	Female (n=273)	BC (n=96)	Alberta (n=78)	Prairies (n=52)	Ontario (n=279)	Atlantic (n=53)		
Agree (5-7)	48	44	46	42	58*	47	42		
Neither (4)	19*	28*	18	25	18	22	37*		
Disagree (1-3)	33	27	36	33	25	30	21		

The first sounding of the Governance Index produces generally positive results

Using each of the five indicators analysed in the preceding pages, a composite mean score has been calculated in the same fashion as for the Confidence and Reputation Indexes to produce the Governance Index (see Technical Appendix for discussion of composite scores). As for the Reputation Index, the Governance Index is based only on responses from those who are aware of the CPP Investment Board.

Figure 10.9 shows the Governance Index composite score and the distribution of these scores across those who are aware of the CPP Investment

Board. The Governance Index has a more strongly positive lean (72 points) than is found for either the Confidence Index (19 points) or Reputation Index (62 points).

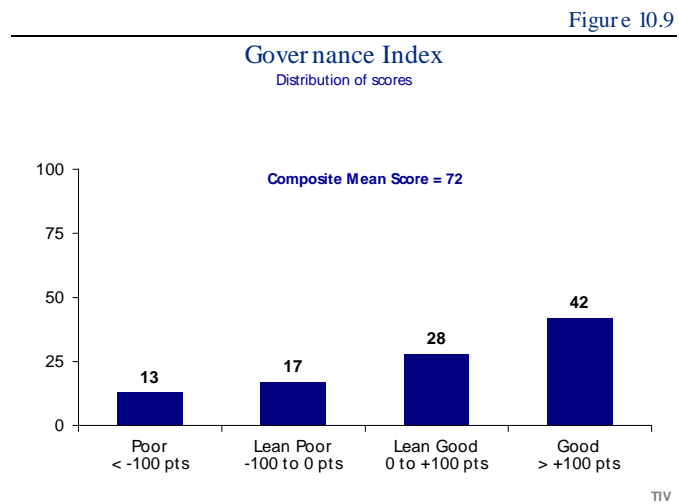


Table 10.8 below reveals the scores for different segments. There is little difference across education and income, but age is a significant factor with both young adults and those over 55 showing greater confidence and trust in the CPP Investment Board’s governance. Men and larger investors also show stronger scores. As with so many other findings in this report, 25 to 34 year olds are noticeably offside with a score of just 4 points. Though not shown in the table, BC residents have much lower score (10 points) as well — this is the only regional variation registered.

It is worth noting that awareness of corporate governance, asset safeguards and CPP assets all have a strong correlation with Governance Index scores, as shown on the last row of the table.

Table 10.8: Governance Index Scores
(aware of CPPIB, composite index score)

Index Score	AGE						EDUCATION		
	<25 (n=68)	25-34 (n=83)	35-44 (n=117)	45-54 (n=105)	55-64 (n=787)	65+ (n=84)	LS HS (n=164)	College (n=144)	Univ. (n=227)
Index Score	92	15	55	74	102	108	90	75	58
Index Score	INCOME								
	<\$20K (n=53)	\$20-39K (n=74)	\$40-59K (n=85)	\$60-79K (n=78)	\$80-99K (n=50)	\$100K+ (n=98)			
Index Score	84	99	70	54	83	53			
Index Score	GENDER		INVESTOR		INVESTMENT AMOUNT				
	Male (n=279)	Female (n=261)	Yes (n=374)	No (n=155)	<\$100K (n=193)	\$100-249K (n=80)	\$250K+ (n=62)		
Index Score	79	64	79	62	69	106	111		
Index Score	AWARE CORP GOVERNANCE		AWARE ASSET SAFEGUARDS		AWARE OF CPP ASSETS				
	Yes (n=279)	No (n=261)	Yes (n=298)	No (n=237)	Yes (n=267)	No (n=270)			
Index Score	70	74	88	59	93	50			

Summary of Governance Index Variables

The composite score for the Governance Index is based on the mean scores of the individual Index variables. These scores are summarized in Table 10.9 below.

Table 10.9: Individual Index Scores for Variables
(index score)

VARIABLES	INDEX SCORE
Trust in accountability of management team (p. 74)	+139
Confidence in governance model (p. 71)	+101
Confidence in board selection process (p. 72)	+56
Confidence in non-partisanship of board (p. 73)	+19
Trust in political independence of management team (p. 75)	+16
Composite Governance Index Score	+72

Although no variables register a negative score, there is strong variance between them. Trust in the management team's accountability to the board and confidence in the governance model most strongly contribute to the high overall Index score. Concerns about political issues most negatively affect the Governance Index with confidence in the non-partisanship of the board and middling trust in the political independence of the management team registering just barely positive scores.

Summary of Findings

To summarize the key findings from this chapter ...

Overall, attitudes towards the CPP Investment Board's governance are favourable

- The Governance Index reveals a more strongly positive set of attitudes than can be found with either the Confidence Index or Reputation Index

Attitudes towards accountability and the governance model are more favourable than are those towards political independence

- There is strong trust that the management team is accountable to the board of directors and the governance model engenders confidence in the CPP Investment Board meeting its ultimate objective, but concerns about political independence and partisanship are a drag on attitudes towards the organization's governance

With governance measures there are few variations across demographic and regional subgroups

- On the whole, attitudes towards governance are held fairly consistently across income, education, gender, region and, to a lesser extent, age
- 25 to 34 year olds consistently stand out here, as elsewhere, as a particularly cynical segment of the population

Findings for the CPP Investment Board compare favourably to generic measures of corporate governance for Canadian organizations

There are somewhat conflicting views on the board of directors

- There is strong confidence in the selection process for board members — three quarters are at least somewhat confident that the selection process will ensure that board members have the proper expertise; but Canadians are not overwhelmingly confident that the board is non-partisan

While concerns about politics may be pervasive, they do not prevent people from feeling the governance model works

- There are widespread concerns about the political independence of management and that the board may be partisan in nature
- But at the same time, the overall assessment of the CPP Investment Board's governance is that it will work to ensure the organization meets its broad objectives

11.0 Personal Investments and Private Pensions

Private investments, pensions and retirement are the focus of this final section.

[In this chapter ...](#)

- Incidence of Investment Ownership
- Investment Amounts
- Incidence of Private Pensions
- Type of Private Pension
- Confidence in Private Pensions (Defined Benefit)

Incidence of Investment Ownership

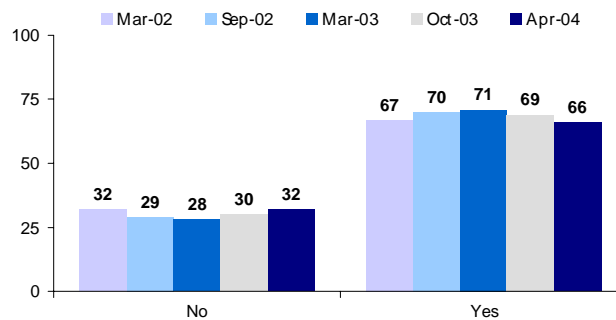
Two thirds of Canadians report having investments, down slightly from previous levels

In April 2004, 66 per cent of Canadians report having investments in stocks, mutual funds, GICs, or bonds (including those they may hold in RRSPs); 32 per cent say they do not have personal investments. This represents a slight decline in the number of Canadians who report having personal investments [Figure 11.1].

As shown in previous reports, the incidence of having investments increases progressively with age, education and household income. Segments most likely to have investments are Canadians in the 45-54 age cohort, and those with the highest level of education [Table 11.1].

Figure 11.1

Q Do you personally have any investments in stocks, mutual funds, Guaranteed Investment Certificates (or GICs), or bonds, including any you may have in an RRSP?



(Base: ROC, percentages; BM, n = 2258; TI, n = 1526; TII, n = 1524; TIII, n = 1406; TIV, n = 2001)

TIV

Table 11.1: Incidence of Investment Ownership (percentages)

	AGE						EDUCATION		
	<25 (n=214)	25-34 (n=346)	35-44 (n=437)	45-54 (n=409)	55-64 (n=294)	65+ (n=284)	LS HS (n=664)	College (n=548)	Univ. (n=768)
Yes	42*	62*	73*	79*	75*	68	54*	68	77*
No	57*	38*	26*	20*	24*	30	45*	31	21*
	INCOME								
	<\$20K (n=213)	\$20-39K (n=319)	\$40-59K (n=340)	\$60-79K (n=276)	\$80-99K (n=190)	\$100-149K (n=201)	\$150K+ (n=101)		
Yes	31*	54*	68	76*	84*	85*	91*		
No	67*	46*	32	23*	15*	15*	7*		

The regional pattern of investment ownership is fairly consistent, the only notable difference being in Atlantic Canada where only 55 per cent report having these investments.

Only 37 per cent of Canadians who do not currently hold investments have had investments at some point in the past; the rest have never had any such investments.

Investment Amounts

The majority of Canadians have fairly modest investment savings

In general, most Canadians do not have substantial investment savings. Most (68 per cent) have investments that amount to less than \$100,000. One in five have amassed investments between \$100,000 and \$500,000 and only 4 per cent have investments totalling more than \$500,000 [Figure 11.2].

As expected, income, age and education are all factors in the amount Canadians have in investments. Those with higher income levels, higher educational backgrounds, and from older age segments are more inclined to have larger savings. Gender is also a factor, men tend to have greater savings than do women [see Table 11.2].

Figure 11.2

Q Is the total amount of investments you currently have in savings and other investments, excluding any real estate, greater or less than \$100,000? [If greater than \$100,000:] Is this sum greater than or less than \$250,000? [If greater than \$250,000:] Is this sum greater than or less than \$500,000?

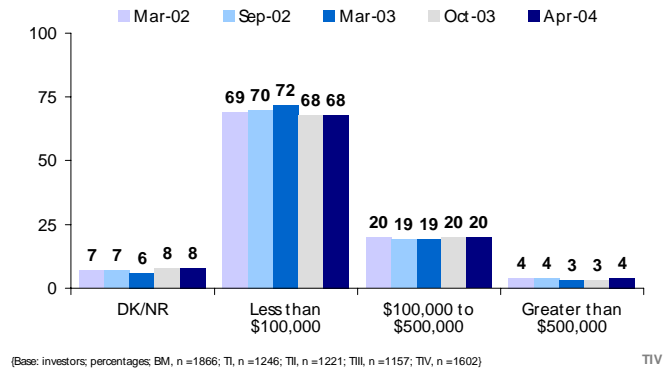


Table 11.2: Investment Amounts (percentages)

	AGE						EDUCATION		
	<25 (n=117)	25-34 (n=262)	35-44 (n=360)	45-54 (n=357)	55-64 (n=252)	65+ (n=246)	LS HS (n=455)	College (n=456)	Univ. (n=681)
\$500K or more	0*	0*	3	2	8*	9	2*	2*	6*
\$250K to \$499K	2*	1*	4	8*	7	8*	4	4	7*
\$100K to \$249K	3*	5*	18*	19*	20*	19*	10*	14	19*
Less than \$100K	67*	71*	57*	51	37*	31*	54	54	50*
	INCOME						GENDER		
	<\$20K (n=115)	\$20-39K (n=227)	\$40-59K (n=283)	\$60-79K (n=238)	\$80-99K (n=178)	\$100-149K (n=189)	\$150K+ (n=97)	Male (n=746)	Female (n=856)
\$500K or more	1*	2*	2*	2*	6	5	18*	5*	2*
\$250K to \$499K	1*	1*	4*	6	7	12*	12*	7*	4*
\$100K to \$249K	6*	9*	14*	17	19	24*	36*	16	14
Less than \$100K	46	63*	60*	64*	57	48	23*	50*	54*

Incidence of Private Pensions

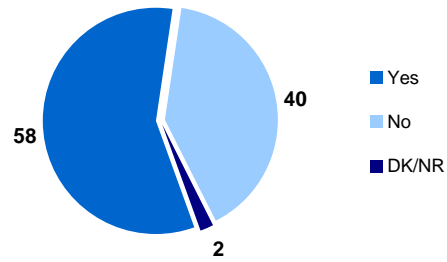
More than half of employed Canadians belong to an employer-based pension plan

As in previous surveys, the incidence of those who are currently enrolled in a private pension plan is virtually unchanged at 59 per cent; 57 per cent in the two earlier tracking surveys [Figure 11.3].

Across demographic subgroups, age and education are still key variables. Canadians from older age cohorts (above 35 years old) report a higher incidence of belonging to a private pension plan than do those from younger age segments. As well, Canadians with higher levels of education are more likely to belong to an employer-based pension plan than those with lower levels of education [Table 11.3].

Figure 11.3

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



(Base: employed full-time; percentages; TIV, n = 809)

TIV

Table 11.3: Incidence of Private Pensions
(percentages)

	AGE						EDUCATION		
	<25 (n=50)	24-34 (n=195)	35-44 (n=239)	45-54 (n=235)	55-64 (n=79)	65+ (n=5)	LS HS (n=206)	College (n=244)	Univ (n=354)
Yes	33*	44*	68*	68*	69*	16	52*	54*	65*
No	61*	55*	31*	31*	31	84	44	46*	33*
DK/NR	5*	1	1	2	9	0	4*	0	1

Type of Private Pension

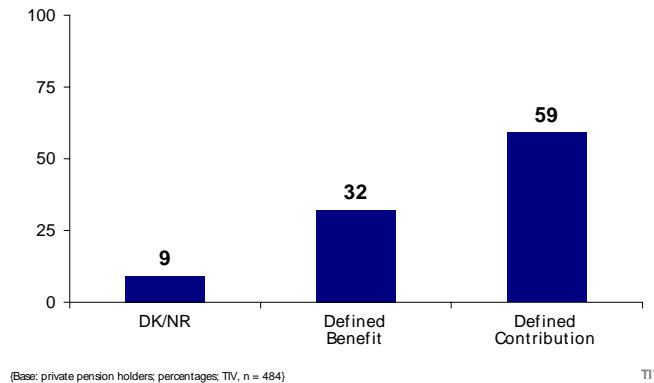
More than half of private pension plan members are in a defined contribution plan

Of those who are currently members of a private pension plan, over half are members of a defined contribution plan. Less than one third of those who belong to an employer based pension have a defined benefit plan and 9 per cent are unsure [Figure 11.4]. These findings are virtually unchanged from the last tracking survey in October 2003.

In general, more men contribute to a defined contribution plan than do women (36 versus 27 per cent respectively) and women are more inclined to be unsure of the type of pension plan they are enrolled in — 15 per cent are unsure compared to only 4 per cent of men who are unsure.

Figure 11.4

Q Is this pension the type that guarantees you a fixed amount of benefits when you retire, or one where the amount of benefits you will receive will vary depending on how well the pension fund investments perform?



Confidence in Private Pensions (Defined Benefit)

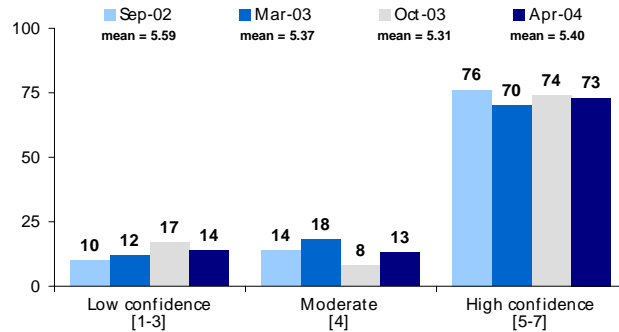
Overall confidence in defined benefit pension funds remains steady

In April 2004, 73 per cent of Canadians who are defined benefit plan holders have high confidence that their pension fund will be able to pay benefits when they retire. This is down slightly from a 74 per cent in October 2003, but those expressing low confidence in their plan has also declined a little [Figure 11.5].

High confidence levels are most prominent among Canadians with post-secondary education (79 per cent) and those living in Alberta (70 per cent).

Figure 11.5

Q How confident are you that your own pension fund will be able to pay your benefits when you retire?



(Base: defined benefit plan holders; percentages; TI, n = 202; TII, n = 204; TIII, n = 201; TIV, n = 288)

TIV

Summary of Findings

To summarize the key findings from this chapter ...

Two-thirds of Canadians report having savings and investments – one third don't

- The reported incidence of investments is lower than a year ago and this trend will need to be watched in future
- The number that have savings and investments that might be expected to sustain an active retirement is quite small – two-thirds have less than \$100,000

Half of employed Canadians are in an employer-based pension plan

- Employees in (higher risk) defined contribution plans outnumber those in (lower risk) defined benefit plans almost two to one, and most of those in defined benefit plans are confident that they will receive their pension

Technical Appendix

This appendix contains a detailed discussion of the technical aspects of the Confidence Index, the Reputation Index and Governance Index. It also presents a demographic profile of these Index segments.

The Confidence Index Model

The following discussion outlines how the model used for the Confidence Index was developed. A statistical model used for understanding attitudinal measures involves a blend of subjective decision making in selecting indicators that are topically relevant and objective testing through various forms of statistical analyses. With the proper balance between these two factors, the model will be a practical tool that can provide a reliable understanding of pertinent attitudinal factors.

Confidence Index Indicators

Creating an Index that is attuned to the issues at hand requires the careful development and selection of indicators that are sensitive to the factors influencing confidence in the CPP Investment Board's mandate. In close consultation with senior management, the research team designed a series of indicators that address all the major aspects of the CPP Investment Board's approach and mandate, as well as the principles underlying its broad investment strategies. Once the first two surveys were completed, the data for each indicator were carefully scrutinized and the appropriate indicators were selected for the Confidence Index.

Each of the indicators in the Confidence Index are based on a 7-point attitudinal scale that has been weighted and refined in the construction of the Index (see below). There are eight of these indicators in total and each one addresses a key area of importance to confidence in the CPP Investment Board's mandate.

Most of these indicators specifically address the investment of CPP assets as well as the model and principles underlying the CPP Investment Board's approach to these investments. These are:

Confidence in the CPP Investment Board's Mandate

- 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? Please rate your answer on a scale from 1 to 7 where 1 is a great deal less confident, 7 is a great deal more confident and the midpoint 4 is neither more nor less confident.

Risk to security of the CPP

- 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/disagree scale).

Short-term volatility and long-term returns

- 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/disagree scale).

Investing CPP assets with a diversified portfolio

- 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 investment like government bonds (agree/disagree scale).

Confidence in the board accountability model

- If investment professionals recruited to invest CPP assets were fully accountable to a board of directors with business and investment expertise, I am confident that they would make investment decisions that are best suited to ensuring the long-term health of the CPP (agree/disagree scale).

Concerns about political influence

- I am worried that there may be political influence in the way CPP assets are invested (agree/disagree scale).

The remaining two indicators in the Confidence Index are indirect measures of confidence, but have been shown to have a highly significant impact on confidence in the CPP Investment Board's mandate. These are:

Confidence in investment professionals

- How confident are you in the ability of investment professionals to obtain high returns on the stock market over the long-term? Please rate your confidence on a scale from 1 to 7 where 1 is not at all confident, 7 is extremely confident, and the midpoint 4 is somewhat confident.

Future health of the Canadian economy

- What do you think will be the general trend in the overall health of the Canadian economy over the next 5 to 10 years, using a 7-point scale where 1 means much worse, 7 means much better and 4 means remain the same?
- While these indicators are all topically relevant to confidence in the CPP Investment Board and its mandate, the question remains as to whether or not they are statistically important.

Statistical Factors

Equally important to the topicality of the indicators used in the Index's model is its statistical rigour. The most important factor from a statistical point of view is whether or not the indicators used in the model have a predictive capacity for understanding confidence in the CPP Investment Board's mandate. To this end, multivariate analyses were conducted using a multiple regression model.

Using the indicator measuring broad confidence in the CPP Investment Board's mandate as the dependent variable a series of independent variables (or study questions/indicators) were run through regression tests to determine what drives confidence in the mandate. From these statistical tests, a series of indicators were identified as having predictive capacity for determining confidence in the mandate. Not all of these indicators are included in the Index. The statistical veracity of the model had to be balanced with considerations of relevance.

The Confidence Index also requires a certain level of practicality. There is little sense in constructing an Index that presents a lot of numbers that most readers cannot understand. Changes from one point in time to another have to be easily comprehended. As a result of these considerations (but also related to statistical rigour), the 7-point scales used for the Index variables were weighted and converted into a more intuitive form.

The first step in making the Confidence Index "user-friendly" required making the 7-point scale more intuitive for readers. Since the midpoint on the scale (4) is a neutral response, it was assigned a zero and the points below given negative values, while the points above were assigned positive values. Rather than a scale from 1 to 7, it becomes a scale from -3 to +3 with a midpoint at 0. This

allows for a more intuitive sense of where confidence lies — anything negative is bad, a score above zero is good.

The next step involved weighting individual scaled responses to make the overall composite sensitive to changes over time. Responses on the high and low end of the scales were given greater value than those around the midpoint. 1 and 7 responses were assigned values of -5 and $+5$, respectively. Similarly, 2 and 6 responses were assigned values of -3 and $+3$. The 3 and 5 responses were not weighted and kept at -1 and $+1$ (the 4 at 0). The weighting was applied to render composite scores more sensitive to changes over time, but it also reflects the lower probability of obtaining responses on the high (6 and 7 responses) and low end (1 and 2) of the 7-point scale as compared with the middle responses (3-5).

Once the weighting was applied to the model, mean scores for each of the Index variables were calculated and then recalculated into a composite score for each case to reflect the overall level of confidence.

A final tweaking of the values on the Index has been used to present the data in an easily comprehensible form. Since the index uses mean scores, a 100 factor was applied to facilitate a less cumbersome presentation and discussion of results. Rather than talking about changes from, say 0.13 to 1.26, we can talk about 13 points and 126 points.

A Note on the Reputation and Governance Index

Both the Reputation and Governance Indexes apply the same model (minus the multivariate analyses) as has been described above for the Confidence Index. The only difference in these indexes is the variables or questions that are being used to generate the composite score. The variables for the Reputation and Governance Indexes are outlined in their respective chapters.

Demographic Profile of Confidence Index Segments

Table A summarizes the demographic profile of the segments generated by the Confidence Index.

Table A: Demographic Characteristics of Confidence Index Segments
(index score)

	INDEX SEGMENT			
	Poor (n=340)	Lean Poor (n=456)	Lean Good (n=582)	Good (n=485)
INCOME				
\$100,000 and over	16	12*	17	27*
\$80,000 to \$99,999	11	10	10	15*
\$60,000 to \$79,999	16	18	19	14*
\$40,000 to \$59,999	22	24*	20	17*
\$20,000 to \$39,999	17	19	22*	17
Under \$20,000	18*	16*	12	8*
EDUCATION				
University	35*	34*	37	49*
College	31	29	28	25
High school or less	34	37*	35	26*
AGE				
65 and over	14	11*	15	16
55 to 64	13	11	11	12
45 to 54	21	19	16	19
35 to 44	22	18*	24	23
25 to 34	20	22*	16*	17
Under 25	11*	18*	18*	14
GENDER				
Male	47	46*	49	56*
Female	53	54*	51	44*
INVESTOR				
Yes	61*	61*	68	77*
No	36*	37*	30	22*

As can be seen, demographic differences between the confidence segments are not overly pronounced. The most notable characteristics occur along education and income with the strong confidence segment being much more likely to have university education and high income, and the weak and moderate segments much more likely to have no postsecondary education and lower income.

The strong and moderate segments are also more likely to have investments, although 6 in 10 of the weak and low segments also have investments.

