CPP Investment Board
Tracking Public Confidence V
—Socially Responsible Investing—

FINAL REPORT

Submitted to:
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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 sixth public survey investigating confidence in the mandate of the CPP Investment Board — an initial Benchmark Survey conducted in March 2002, followed by five tracking surveys: in September 2002, March 2003, October 2003, April 2004, and, the most recent, in the last two weeks of November 2004.

In addition to monitoring key benchmarks, confidence and reputation variables, the most recent tracking survey also contains a detailed investigation of socially responsible investing, and discusses the following issues:

- Broad attitudes and values relating to socially responsible investing and different types of investments and products on the market
- Awareness of and support for socially responsible investing
- Investors attitudes and behaviours with respect to socially responsible investing
- Attitudes towards the CPP Investment Board's mandate and its implications for socially responsible investing practices

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

This report consists of an update on key tracking benchmarks. The report begins with an update of the Confidence and Reputation Index. Each of the following chapters is organized thematically beginning with an overview of economic confidence and investment markets. The next two chapters update tracking indicators specific to perceptions of the CPP, as well as CPP asset investing. Subsequently, CPP Investment Board awareness and reputation is discussed, followed by an overview on personal investments and pension plans.

Methodology

The results presented in this report are based on the following methodology:

- Telephone survey of Canadians 18 years of age and older outside of Quebec
- Survey took place between November 18 and December 3, 2004
- In total, 2,007 interviews were completed (many of the questions contained in this report are based on sub-samples of this larger sample)
- Results are weighted by age, gender and region using the most recent census data
- Results are valid within 2.2 percentage points, 19 times out of 20 (the margin of error increases for split samples)

Results for subgroups are presented in tables throughout the report. Those findings that are statistically significant are noted by a * beside the frequency shown in the table cells.

Tracking Public Confidence V

Chapter 1
Indices

EKOS has developed three indices for the CPP Investment Board to track composite measures of various aspects of its reputation. In this tracking study, two of the three indices were measured – the Governance Index is included in the survey only once a year.

The original index is the Confidence Index. 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 later chapters. The overall score, presented in this chapter, is developed from a statistical model and based on a composite of these indicators, and acts as the summary measure of confidence in the CPP Investment Board at a fixed point in time.

The reputation Index was first developed and presented in the previous tracking study. The index is based only on those people who are aware of the CPP Investment Board. It is composed of four indicators, one that has been tracked since the Benchmark study measuring perceptions of investment performance, and three more recent indicators — overall impression of the CPP Investment Board, belief in what it is doing and trust in its investment professionals. Details of each of these indicators are included in later chapters. The composite score is presented here.

The two indices included in this chapter are:

- Confidence Index
- Reputation Index

Figure 1.1 —Confidence Index

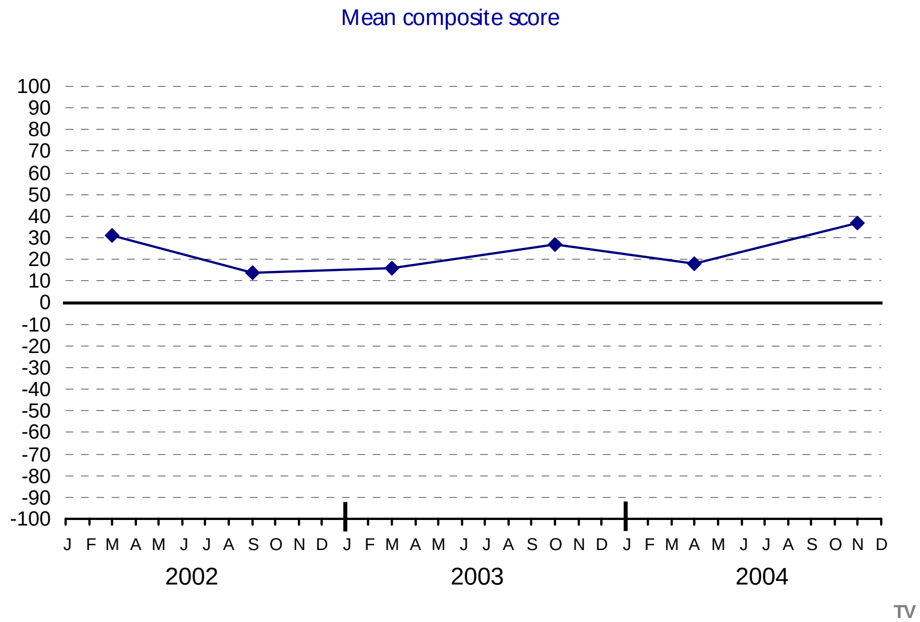
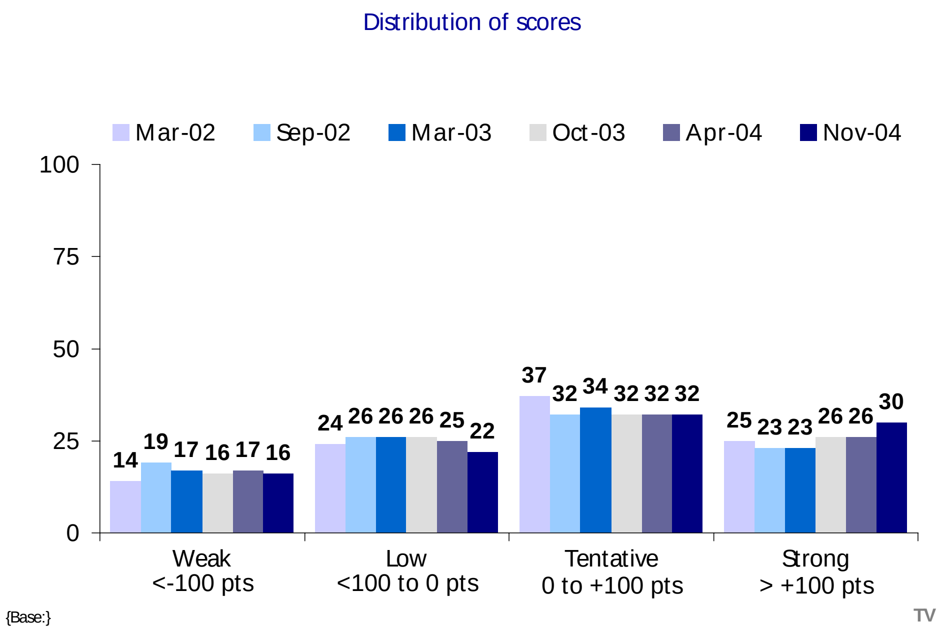


Figure 1.2 —Index Segments



Composite Confidence Index Score

There is a nice bounce in the Confidence Index from the slump recorded earlier in the year

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 1.1.

As the chart shows, there are now six data points on the scale, the first being the Benchmark study in March 2002. Despite various ups and downs, and a few hard knocks, as during the corporate scandals, the Index remains within a reasonably predictable band.

Between the Benchmark and the first tracking survey, when the Index declined, the media were full of reports on the corporate scandals in the U.S. relating to companies such as Enron and Worldcom. This shock wore off, and the Index recovered.

The previous tracking survey in April 2004 showed another decline, most likely related to the sponsorship scandal that played such a major part in the federal election, and the high profile Hollinger scandal, as well as the tribulations of a new government in Ontario.

Fortunately, those troubles, too, appear now to be receding and the Index has taken another upward bounce in the latest measurement.

It is worth pointing out that all these measurement points fall within a period of comparative prosperity in Canada. The public's overall mood is very positive at present, and expectations about the country's future prospects are particularly high. We do not yet know how the Index will respond during a down cycle in the economy.

The second chart on the facing page shows the proportion of Canadians who fall into the four broad segments that make up the Index. These segments are composed of scores under minus-100 points, between minus-100 and zero, between zero and plus-100, and over plus-100. This represents a segmentation of the population on the basis of confidence in the principles and activities underlying the CPP Investment Board's mandate – weak, low, tentative and strong, respectively.

Perhaps reflecting the overall improvement in the public's mood, and the feeling that things are generally going well, 30 per cent of the public are scored as having strong confidence in the CPP Investment Board's mandate, the highest level recorded, and up from 26 per cent in the previous two surveys.

Table 1.1: Index Scores for Various Subgroups

(index score)

	INDEX SCORES						GAIN/LOSS
	March 2002	Sept 2002	March 2003	Oct. 2003	April 2004	Nov 2004	Apr.04 to Nov. 04
INCOME							
$100, 000 and over	58	42	49	74	54	70	+16
$80,00 to $99, 999	53	26	42	51	45	57	+12
$60,000 to $79,999	46	20	27	41	15	40	+25
$40,000 to $ 59,999	38	11	20	17	6	50	+44
$20,000 to $39,999	21	15	-3	14	21	28	+7
Under $20,000	4	-12	1	6	-15	14	+29
EDUCATION							
University	55	32	43	53	34	60	+26
College	25	2	6	16	10	22	+12
High School or less	12	4	-6	6	7	25	+18
AGE							
65 and over	46	19	7	25	23	47	+24
45 to 64	35	12	25	26	17	44	+27
25 to 44	32	12	15	32	14	32	+18
Under 25	12	18	10	22	28	26	-2
GENDER							
Male	45	22	29	42	26	51	+25
Female	16	5	3	13	10	23	+13
INVESTOR							
Yes	43	26	31	39	31	50	+19
No	-1	-12	-20	0	-7	9	+16

Table 1.2: Index Scores for Individual Variables

(index score)

	INDIVIDUAL INDEX SCORES						GAIN/LOSS
	March 2002	Sept 2002	March 2003	Oct. 2003	April 2004	Nov 2004	Apr.04 to Nov. 04
Portfolio diversification (p. 59)	139	130	122	130	126	145	+19
Confidence in board model (p.77)	123	120	111	129	101	118	+17
Confidence in CPP mandate (p.57)	48	45	47	59	55	115	+60
Future health of the economy (p.19)	62	41	43	45	33	46	+13
Confidence in long-term returns (p.55)	39	18	14	13	18	39	+21
Confidences in invest. professionals (p.93)	-5	-32	-21	-13	4	30	+26
Aversion to potential risks (p.53)	-17	-40	-39	-13	-25	-47	-22
Concerns about political influence (p.75)	-164	-200	-170	-166	-170	-176	-6

Confidence has increased fairly evenly across various subgroups, although some of the weaker groups show the greatest gains

Table 1.1 shows the individual confidence index scores for various demographic subgroups. The overall score shown in Figure 1.1 on the previous page is 37 points.

With the exception of the youngest age group, increases are found across the spectrum of different demographic segments. The most pronounced changes are found with some of the subgroups that traditionally demonstrate the greatest weakness in confidence — lower and middle income.

This trend does not, however hold across educational or gender lines. University educated show the greatest increase across educational groups and they are also traditionally the most confident of all educational subgroups. Likewise, men show a greater increase in confidence than women and they also tend to demonstrate greater confidence over the course of this research.

Most index variables show improvement, particularly confidence in the CPP Investment Board's mandate

As the Confidence Index is a composite score, different variables used in its construction will affect the overall score differently. Table 1.2 lists each variable in ascending order from worst to best in terms of their impact on the overall Index score.

All but two of the Index variables have improved since the spring of 2004. The greatest improvement is seen with confidence in the broad mandate of the CPP Investment Board. This is a very interesting finding given the results seen in the second part of this report with the more detailed examination of the public's view of the mandate. The indicator used in the Index to measure confidence in the mandate is a more general one, asking broadly about the impact on confidence felt from having CPP funds invested to increase returns. It is likely that the broader increase in confidence in markets and the economy are aggregating with this indicator. Likewise, the strongly positive findings found with the detailed examination of the mandate are likely influenced by a generally more buoyant level of optimism.

The only indicators to show worsened scores pertain to those that have traditionally been a drag on the Index — risk aversion and concerns about political influence. These are fairly minor changes and not enough to counterbalance the more broadly positive disposition found with the other indicators.

Figure 1.3 —Reputation Index

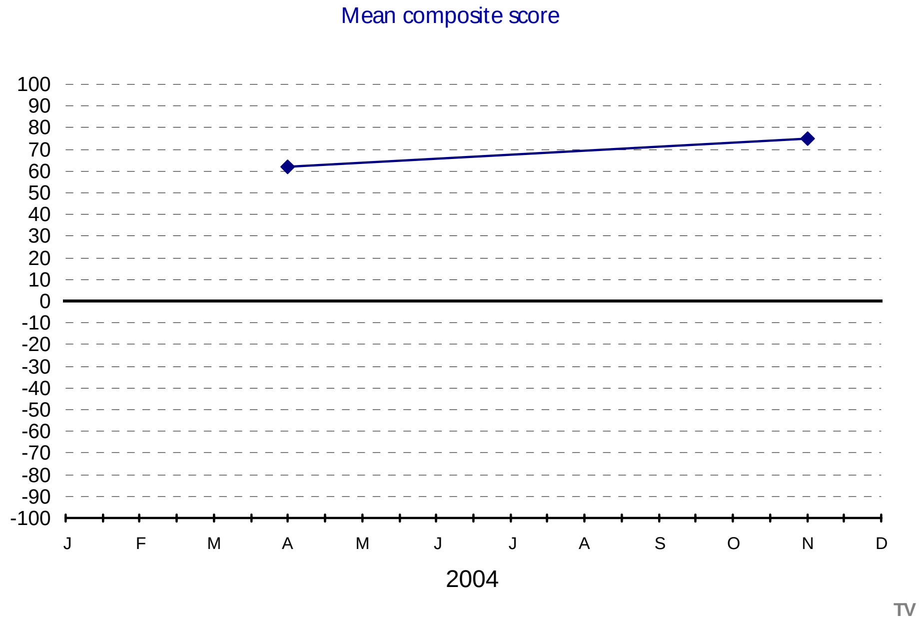
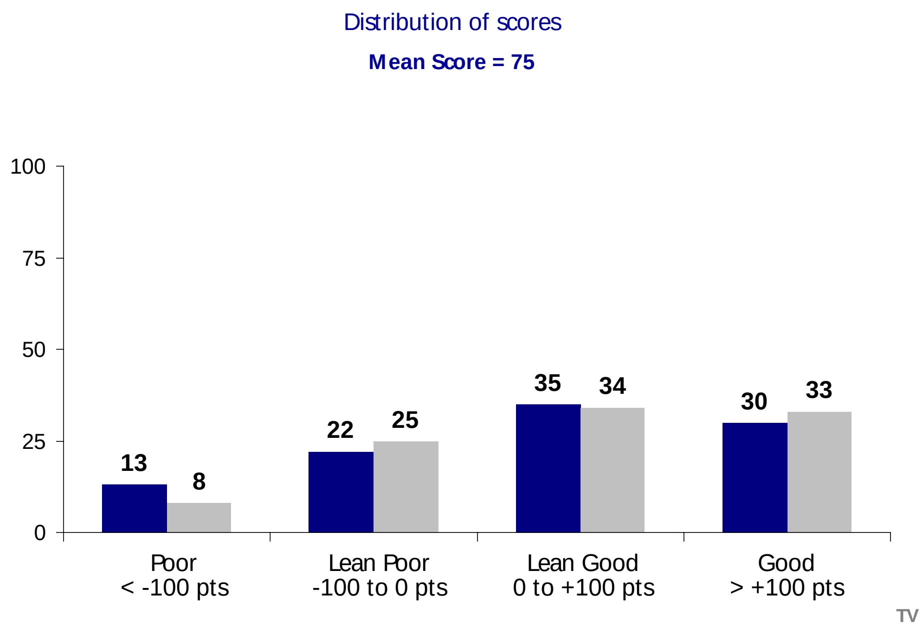


Figure 1.4 —Reputation Index



The CPP Investment Board's Reputation Index continues to lean in a positive direction

The Reputation Index is a composite mean score based on four indicators whose individual results are reported elsewhere in this report:

- Overall impression of the CPP Investment Board (Page 73)
- Belief in the CPP Investment Board's activities (Page 73)
- Trust in CPP Investment Board's professionals (Page 71)
- Performance of investment activities (Page 71)

The composite score is constructed in the same way as the Confidence Index – 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 is the second time that the Reputation Index has been constructed. As the chart on the opposite page shows, there is a strong favourable lean in the index, and this lean has improved since the first measurement. In April 2004, the mean score on the index was 62 and this has now improved to 75 in the latest measurement.

Table 1.3: Index Scores for Various Subgroups

(index score)

	INDEX SCORES		GAIN/LOSS
	April 2004	Nov 2004	Apr.04 to Nov. 04
INCOME			
$100, 000 and over	44	75	+31
$80,00 to $99, 999	57	91	+34
$60,000 to $79,999	34	73	+39
$40,000 to $ 59,999	69	67	-2
$20,000 to $39,999	81	89	+8
Under $20,000	95	93	+2
EDUCATION			
University	46	84	+38
College	49	38	-11
High School or less	97	99	+2
AGE			
65 and over	84	115	+31
45 to 64	85	73	-12
25 to 44	33	56	+23
Under 25	73	79	+6
GENDER			
Male	65	90	+25
Female	58	57	-1
INVESTOR			
Yes	65	81	+16
No	63	67	+4

* Caution should be exercised as some sample sizes are quite small (none under 50 cases, however)

Table 1.4: Individual Index Scores for Variables

Index Score

VARIABLES	INDEX SCORE		GAIN/LOSS
	April - 04	Nov.- 04	
Overall impression of the CPP Investment Board (p.73)	73	91	+18
Belief in what the CPP Investments Board is doing (p.73)	68	76	+8
Trust in CPP Investment Board's investment professionals (p.71)	57	73	+16
Performance of investment activities (p.71)	50	45	-5
Composite Reputation Score	62	75	+13

Subgroups trends for the Reputation Index tend to counter those for the Confidence Index

Reputation Index scores tend to show the reverse trend of Confidence Index — that is, lower socio-economic status generally sees slightly higher scores vs. high socio-economic status (income, education).

That being said, the scores evened out on the second run of the Reputation Index. The greatest increases are seen more with those who had the lowest scores on the first run of the Index — most notably, higher income and university educated.

Caution should be exercised in reviewing these findings, as the sample numbers for many subgroups is below 100 (although no lower than 50). In short, they should generally be read as directional rather than statistically significant.

Overall impression and trust in its investment professionals help to drive up the overall reputation score

Table 1.4 shows the change in scores for each of the Reputation Index variables. There has been a negligible decrease in ratings for investment performance, while all other scores have seen an increase.

Both overall impression of the CPP Investment Board and trust in its investment professionals have seen the greatest positive increase, while a very minor increase is found in how strongly Canadians believe in what the CPP Investment Board is doing.

Chapter 2
Economic Confidence and Investment Markets

At the macro level, the way Canadians think about the current health of the economy, and their expectations about the way it will track in the future, colours their response to other more specific indicators. If they are feeling good about the economy and the trajectory that it's on, they tend to have a rosier outlook about many other aspects of their economic well-being.

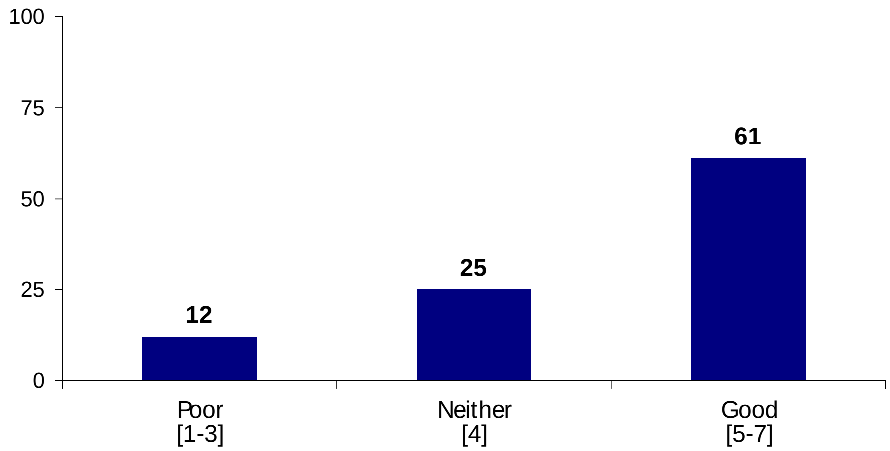
At the same time, Canadians also have somewhat fixed opinions about investing and the markets. However, these can change over time, or in response to critical events, so it is important to track them as they can also influence the indicators that are more directly related to the CPP Investment Board.

The general indicators included in this chapter are:

- Current Health of the Economy
- Future Health of the Economy
- Knowledge of Investment Finances
- Risk Aversion
- Comfort with Market Volatility
- Long-term Earnings on Stock Market
- Confidence in Market Recovery
- Confidence in Investment Professionals
- Comparing Rates of Return
- Comparing Risks

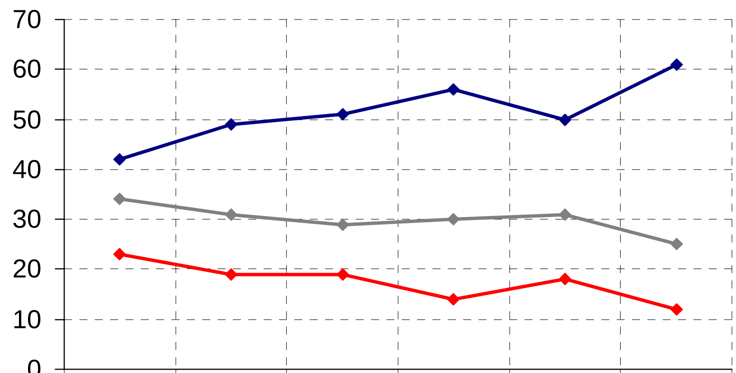
Figure 2.1 — current health of the economy

Q How would you rate the current overall health of the Canadian economy? Please use a scale from 1 to 7 where 1 is terrible, 7 is excellent and the midpoint 4 is neither good nor bad.



{Base: all; percentages; n=2,007} TV

Figure 2.1a — tracking current health of the economy



	Mar-02 mean=4.21	Sep-02 mean=4.41	Mar-03 mean=4.44	Oct-03 mean=4.59	Apr-04 mean=4.40	Nov-04 mean=4.70
Good (5-7)	42	49	51	56	50	61
Neither (4)	34	31	29	30	31	25
Poor (1-3)	23	19	19	14	18	12

{Base: all; percentages} TV

Overall confidence in the health of the Canadian economy has more than rebounded from a dip earlier in the year

Prior to the survey in April 2004, a steadily increasing proportion of Canadians rated the overall health of the economy as being good, and a steadily declining number rated it as being poor. This trend was interrupted in the spring survey as confidence in the economy dipped. That trend has now reversed.

In the latest reading, 61 per cent rate the current health of the Canadian economy as being good, the highest number since tracking began. Only 12 per cent rate it as being poor, the lowest figure recorded to date. (Figure 2.1) The improved national mood is likely a combination of the stronger dollar, easing coverage of the sponsorship scandal and a post-election return to business.

The regional data shows considerable variation, as it has in the past:

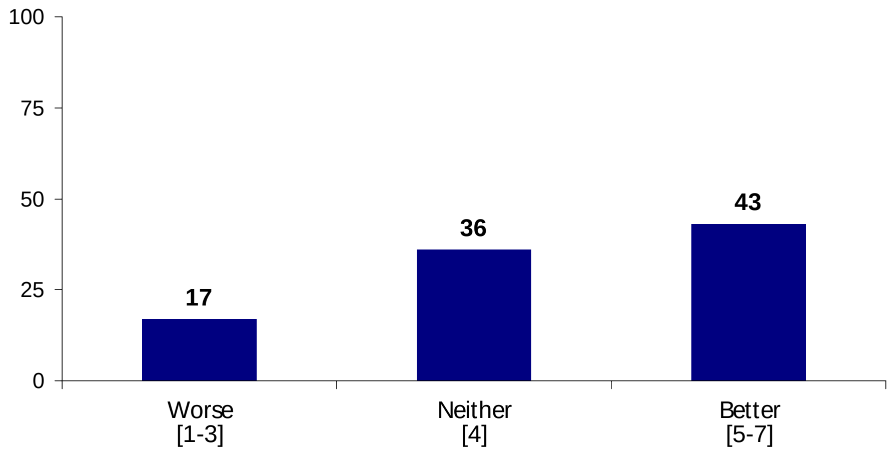
- Albertans remain the most bullish about the economy, with 70 per cent rating it as being good. This is an 11-point gain since April, when oil-rich Alberta was also the most bullish part of the country.
- Ontario registers a strong increase in confidence, with a 13-point gain since the spring survey when a new provincial government was trying to find its feet
- British Columbia also registers an 11-point gain despite continuing problems in the lumber industry; 61 per cent now rate the economy as good
- The two other regions, the Prairies and the Atlantic Provinces have the lowest number rating the economy as being good, and the highest number rating it as being poor (16 per cent), but both show sharp up-ticks in confidence – 7 and 8 points respectively – and slightly more than half the people in both regions rate the economy as good

An improvement in confidence is noted across all demographic groups, but there are still skews:

- Those in the highest income (and educational) brackets are more bullish than those at lower levels – 77 per cent of people making more than $100K (and 82 per cent on $150K+) rate the economy as being good, while only 7 per cent say it is poor. At the other end of the income scale, 46 per cent of those making less than $20K say the economy is good versus 19 per cent who say it is poor
- Men are more bullish than are women – 65 per cent vs. 58 per cent – though only a small minority of either gender rate the economy as being bad
- In the previous survey, confidence also appeared to be related to age, with the oldest Canadians being significantly less confident than the youngest. That has changed, with 66 per cent of seniors now rating the economy is being good compared with only 47 per cent rating it that way in the spring

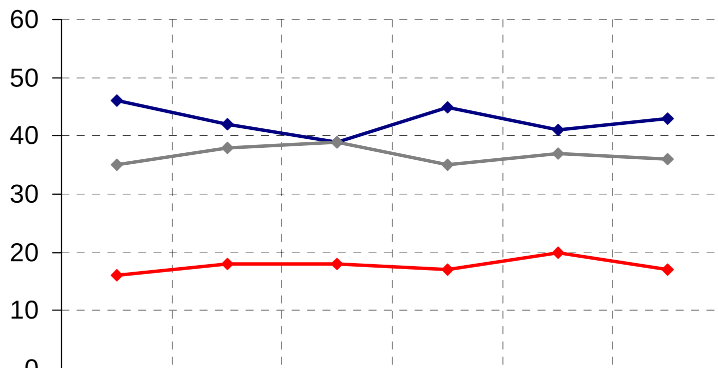
Figure 2.2 — future health of the economy

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: all; percentages; n=2,007} TV

Figure 2.2a — tracking future health of the economy



	Mar-02 mean=4.46	Sep-02 mean=4.33	Mar-03 mean=4.33	Oct-03 mean=4.45	Apr-04 mean=4.27	Nov-04 mean=4.36
Better (5-7)	46	42	39	45	41	43
Same (4)	35	38	39	35	37	36
Worse (1-3)	16	18	18	17	20	17

{Base: all; percentages} TV

Expectations about the future trend of the economy are also slightly rosier than they were earlier in the year

Since this tracking series began, those Canadians who think the economy will get better outrank those who think it will get worse by more than two to one. In the latest reading, 43 per cent expect it to get better over the next five to ten years, compared with just 17 per cent who expect it to get worse.

This reading is a 2-point rebound from the spring survey, which was itself a 5-point decline from the previous measurement in October 2003.

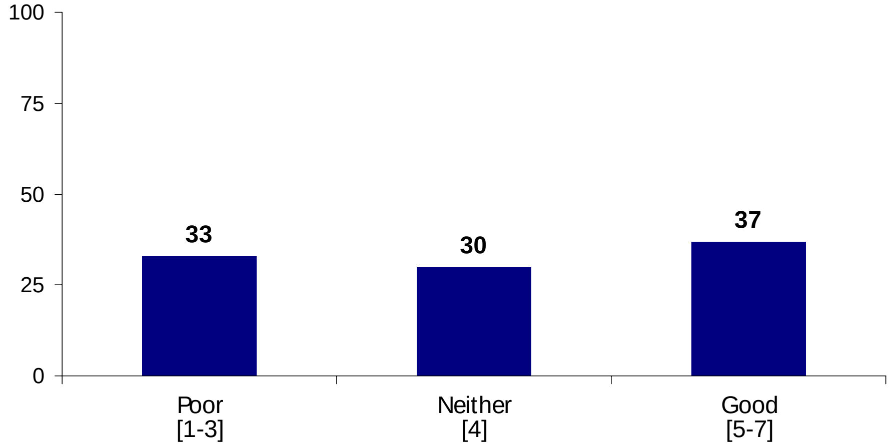
Regionally, there are still some notable differences in expectations:

- The sharpest gain in expectations is noted in British Columbia where 53 per cent now expect the economy to be better, the highest rating in the country
- In Alberta, the economy is already doing so well that only 40 per cent expect it to do even better, but 41 per cent expect it to keep doing as well as it is doing now
- As in the spring measurement, Ontario continues to be the region with the highest level of doubt – 41 per cent expect the economy to get better compared with 19 per cent who expect a decline, the most negative balance in the country

Demographically, the same skews are evident as in the overall rating of the current economy. Those with higher income, investments and education are much more likely to see a rosy future than are those at the other end of the scales. Men are also more likely to be optimistic about the economy's future than are women (though women are not more negative). There are practically no differences in expectations among the various age groups.

Figure 2.3 — knowledge of investment finances

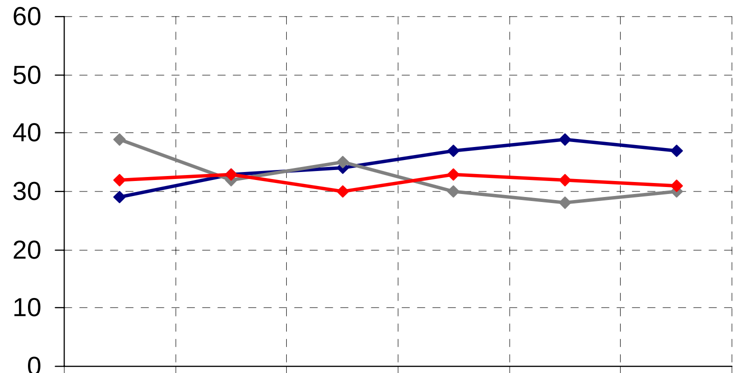
Q How would you rate your own knowledge of investment finances?



{Base: all; percentages; n=2,007}

TV

Figure 2.3a — tracking knowledge of investment finances



	Mar-02 mean=5.07	Sep-02 mean=5.27	Mar-03 mean=5.12	Oct-03 mean=5.08	Apr-04 mean=5.13	Nov-04 mean=3.91
Good (5-7)	29	33	34	37	39	37
Neither (4)	39	32	35	30	28	30
Poor (1-3)	32	33	30	33	32	31

{Base: all; percentages}

TV

Canadians' self-assessment of their own knowledge of investment finances appears to have plateaued

Slightly more than a third of Canadians (37 per cent) rate their own knowledge of investment finances as being good; a third rate themselves as being poor; and the rest say they are neither good nor poor.

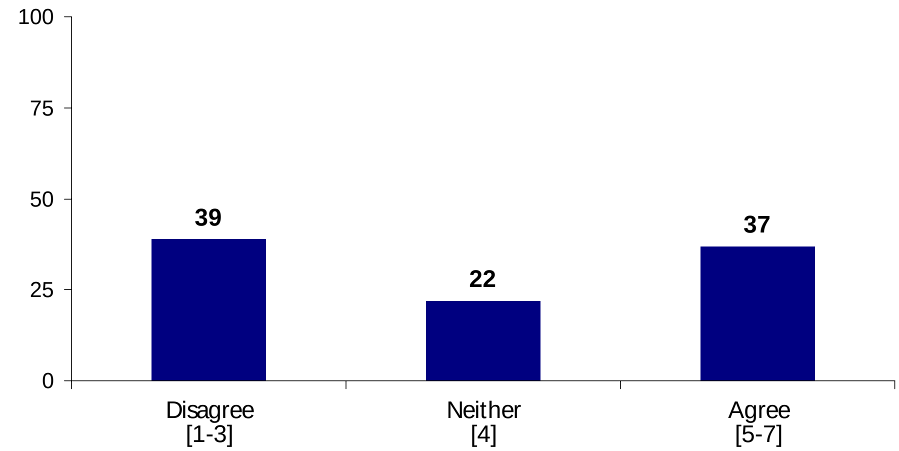
In the past five surveys, there has been a steady improvement in self-rated knowledge of investment finances, with an increase from 29 per cent rating their knowledge as good in the Benchmark survey to 39 per cent in the spring of 2004. This upward trend has now stopped, or perhaps paused, with 37 per cent rating their investment knowledge as good in this latest measurement.

As might be expected, there are still very definite skews in this rating among various demographic groups. More men than women rate their own investment knowledge highly; and there are very strong skews toward those with higher income, higher amounts of private investments, higher levels of education, and those who are self-employed (and presumably managing their own financial affairs). These skews are generally the same as previously reported.

Also as previously reported, knowledge of investment finances is a key variable in many other indicators. It is particularly important for the CPP Investment Board to have a good reputation with people who follow financial affairs closely as this is where perceptions and stories are most likely to originate.

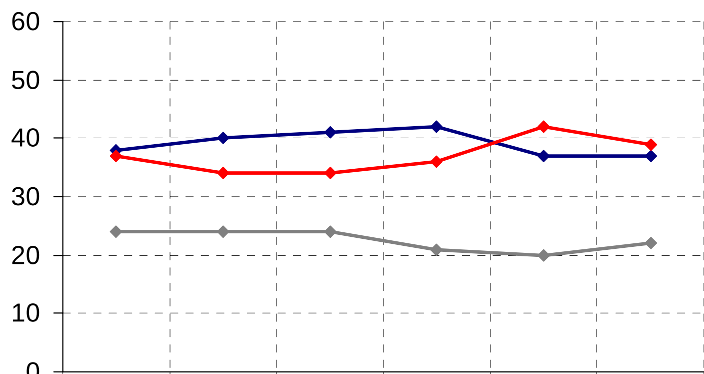
Figure 2.4 — risk aversion

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



{Base: all; percentages; n=2,007} TV

Figure 2.4a — tracking risk aversion



	Mar-02 mean=4.05	Sep-02 mean=4.12	Mar-03 mean=4.14	Oct-03 mean=4.12	Apr-04 mean=3.89	Nov-04 mean=3.96
Agree (5-7)	38	40	41	42	37	37
Neither (4)	24	24	24	21	20	22
Disagree (1-3)	37	34	34	36	42	39

{Base: all; percentages} TV

The balance toward taking some risk with savings to earn more money is still slightly favourable

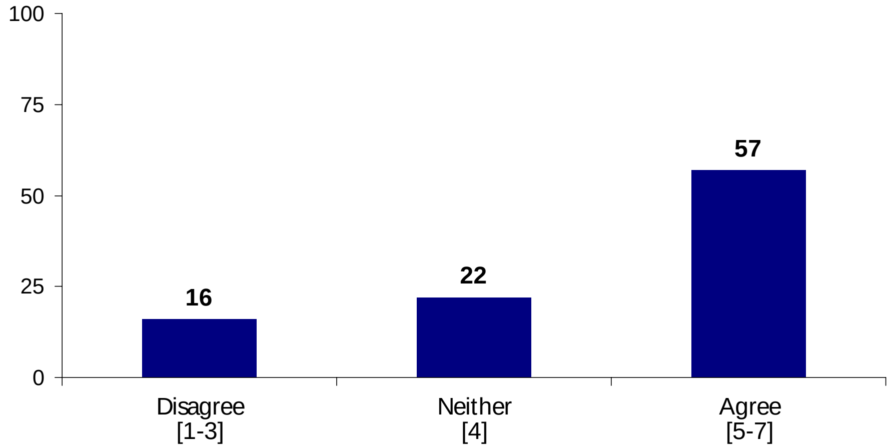
The spring 2004 survey was the first time that more people disagreed than agreed that it's a bad idea to take risks with savings to earn more money. In the current survey, the balance still remains slightly more in favour of taking risk than playing it safe – 37 per cent choose the safe option compared with 39 per cent who opt for taking some risk. (Figure 2.4).

These figures are only slightly below those recorded in the spring – the risk-taking group has declined slightly from 42 per cent to 39 per cent, but the safe-option group remains at 37 per cent.

There are still sharp skews among various demographic and regional segments in the response to this indicator. Seniors and the retired are the most risk averse; those with higher income, investments and education are significantly more likely to be risk prone. Albertans are much more likely to opt for taking some risk than are people in the rest of the country, presumably reflecting their own bullish view of the future of the Canadian economy.

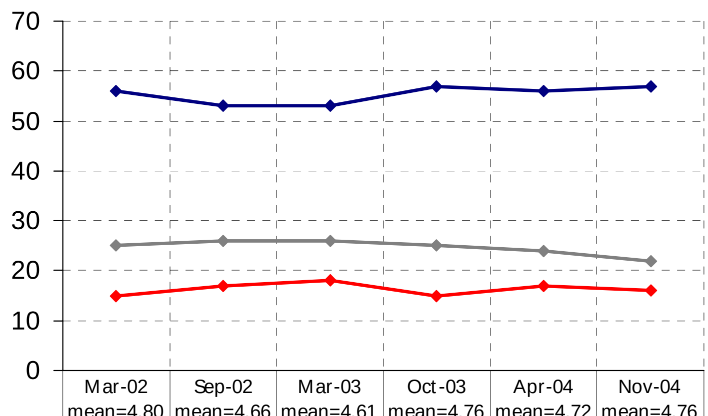
Figure 2.5 — comfort with market volatility

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



{Base: all; percentages; n=2,007} TV

Figure 2.5a — tracking comfort with market volatility



	Mar-02 mean=4.80	Sep-02 mean=4.66	Mar-03 mean=4.61	Oct-03 mean=4.76	Apr-04 mean=4.72	Nov-04 mean=4.76
Agree (5-7)	56	53	53	57	56	57
Neither (4)	25	26	26	25	24	22
Disagree (1-3)	15	17	18	15	17	16

{Base: all; percentages} TV

Faith that the markets will produce good long-term returns for investors remains strong

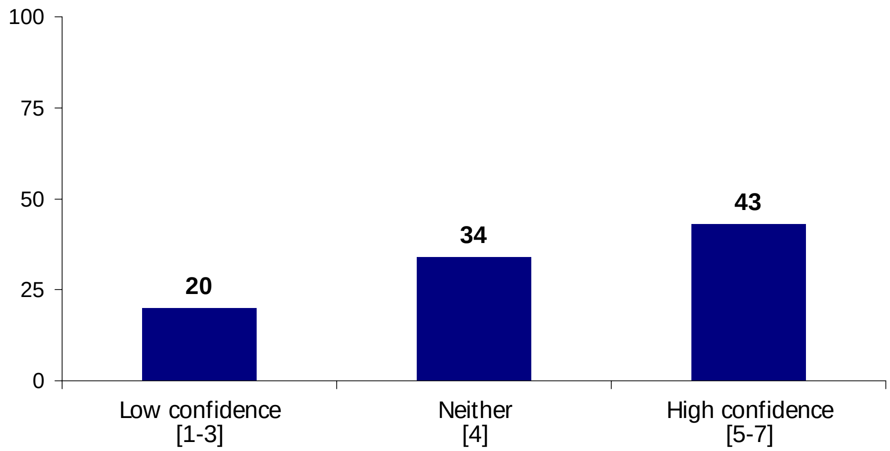
Since the first Benchmark survey, Canadians have maintained an almost unwavering faith that, though stock markets may go up and down all the time, they produce good returns for investors over the long run. In the latest measurement, 57 per cent agree with this proposition, while only 16 per cent disagree, and both numbers reflect very little change in thinking over the survey period.

While no more than a minority of any demographic group disagrees with the proposition, agreement is strongest among segments already identified as being most comfortable with risk, those with higher income, education and levels of investment. Men are also more likely to agree than are women.

On a regional basis, Ontarians are most likely to agree (60 per cent) and British Columbians most likely to disagree (22 per cent).

Figure 2.6 — confidence in investment professionals

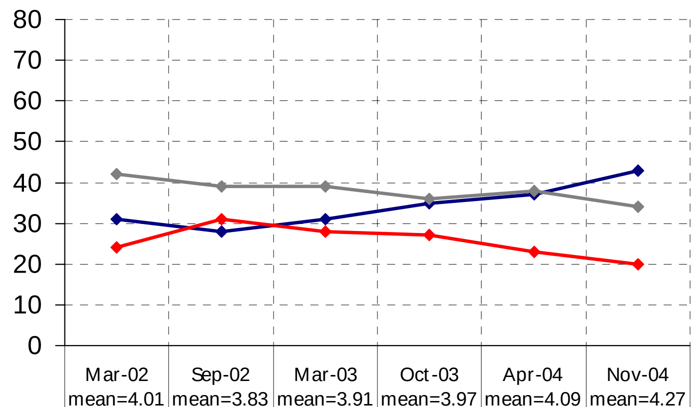
Q How confident are you in the ability of investment professionals to obtain high returns on the stock market over the long-term?



{Base: all; percentages; n=2,007}

TV

Figure 2.6a — tracking confidence in investment professionals



	Mar-02 mean=4.01	Sep-02 mean=3.83	Mar-03 mean=3.91	Oct-03 mean=3.97	Apr-04 mean=4.09	Nov-04 mean=4.27
High confidence (5-7)	31	28	31	35	37	43
Neither (4)	42	39	39	36	38	34
Low confidence (1-3)	24	31	28	27	23	20

{Base: percentages}

TV

Confidence in investment professionals continues on an upward course

As one of the components of the overall Confidence Index, respondents were asked how confident they are in the ability of investment professionals to obtain high returns in the stock market over the long-term.

Just under half of Canadians (43 per cent) are now confident that this is the case; more than half of some demographic segments agree, including 53 per cent of people making more than $100K, 54 per cent of investors with more than $250K, and 51 per cent of the university educated, all key groups in the CPP Investment Board's constituency.

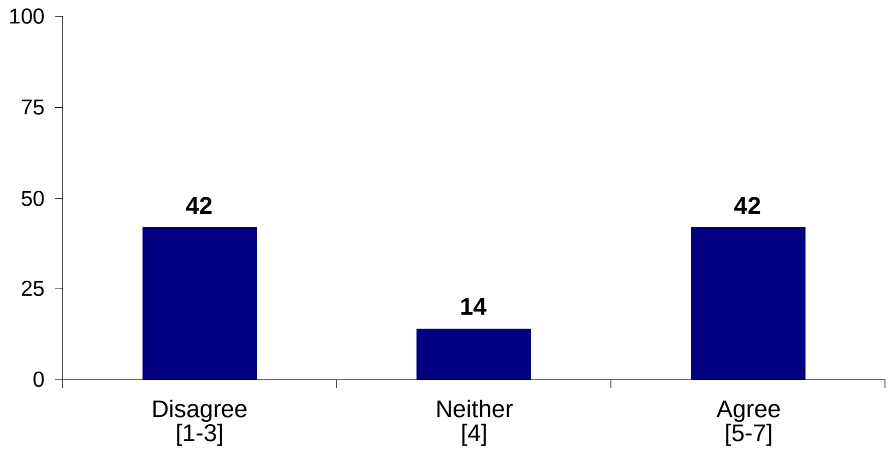
Confidence is generally lower among people with lower levels of education and income, though lack of confidence is often expressed in terms of a neutral rather than a low rating.

As the tracking chart shows, the percentage of those having high confidence in investment professionals has been on a steady rise for the past two years, from 28 per cent in September of 2002 to 43 per cent in the latest measurement.

It is also worth noting that the number of people expressing low confidence in investment professionals is at the same time declining, and at 20 per cent is the lowest number yet recorded.

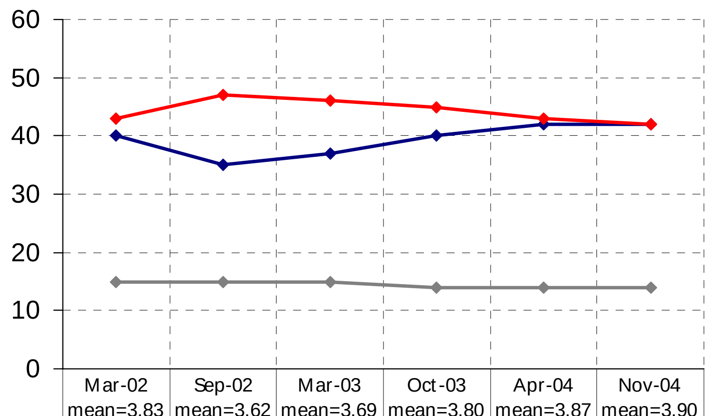
Figure 2.7 — long-term earnings on stock market

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: all; percentages; n=2,007} TV

Figure 2.7a — tracking long-term earnings on stock market



	Mar-02 mean=3.83	Sep-02 mean=3.62	Mar-03 mean=3.69	Oct-03 mean=3.80	Apr-04 mean=3.87	Nov-04 mean=3.90
Agree (5-7)	40	35	37	40	42	42
Neither (4)	15	15	15	14	14	14
Disagree (1-3)	43	47	46	45	43	42

{Base: all; percentages} TV

Canadians are now evenly divided as to whether the stock market is the best place to put long-term savings

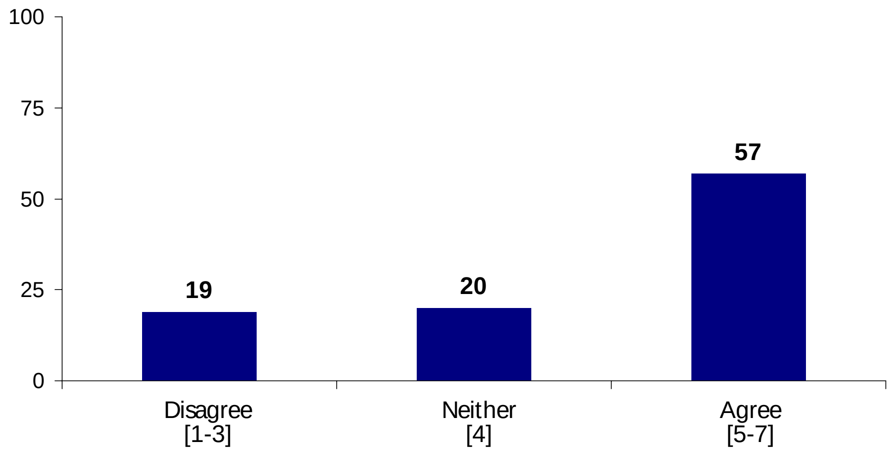
If Canadians wanted to get the best return on their savings and didn't need the money for the next 20 years (approximately the position the CPP Investment Board is in), 42 per cent agree they would invest it in the stock market and 42 per cent disagree. This is virtually the same result as recorded in the spring 2004 survey.

As the tracking chart shows the attraction of the stock market has improved somewhat in the past couple of years, perhaps reflecting some weakening in earlier concerns about stock manipulations and governance issues.

The pattern of agreement remains skewed in the direction previously noted. Those most likely to agree that the stock market is the best place for such investment include those with higher income, investments, and education. Those at the other end of these scales take the opposite view. Men are also more likely than women to agree on this strategy – 45 per cent of men agree, 45 per cent of women disagree.

Figure 2.8 — confidence in market recovery

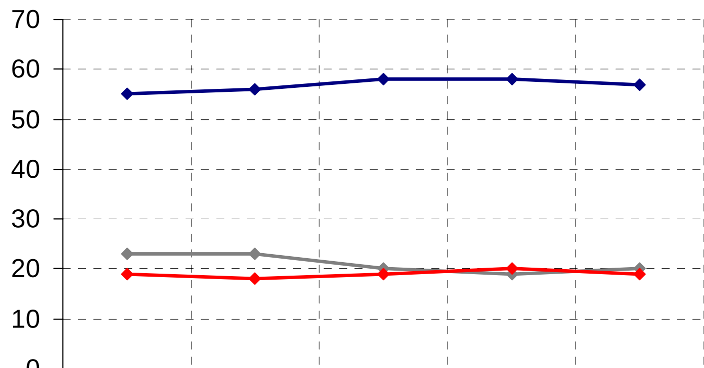
Q Someone who invests in stock markets at a time when they are performing poorly stands a good chance of making money because markets will recover over the long-term.



{Base: all; percentages; n=2,007}

TV

Figure 2.8a — tracking confidence in market recovery



	Sep-02 mean=4.69	Mar-03 mean=4.69	Oct-03 mean=4.73	Apr-04 mean=4.72	Nov-04 mean=4.70
Agree (5-7)	55	56	58	58	57
Neither (4)	23	23	20	19	20
Disagree (1-3)	19	18	19	20	19

{Base: all; percentages}

TV

A significant majority continues to believe that investing when markets are down is a good way to make money

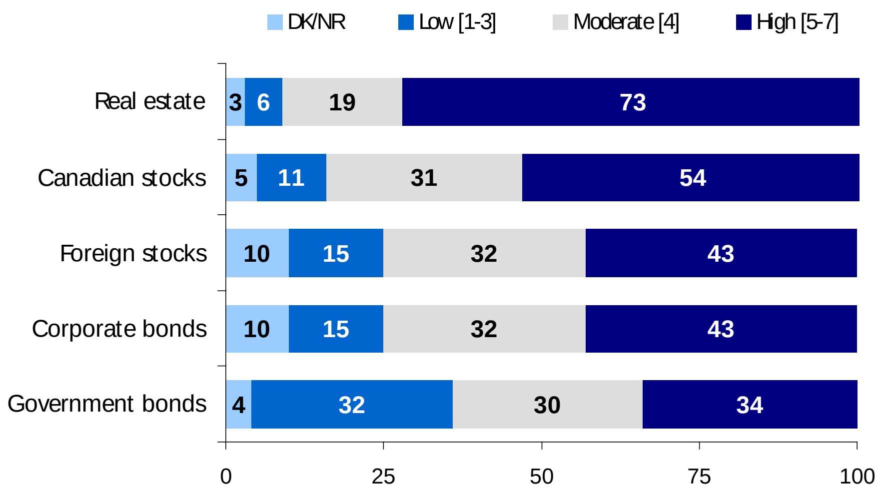
Over the whole course of the survey period, a strong majority of Canadians continues to believe that someone who invests in stock markets at a time when they are performing poorly stands a good chance of making money because markets will recover over the long term.

In the latest measurement, 57 per cent agree that this is the case, while only 19 per cent disagree. This is virtually the same result as in the prior survey, and as the tracking chart shows the balance of opinion on this indicator has hardly moved.

Again agreement is strongest among certain demographic groups, those with higher income, investments and education; and men are more likely to agree than are women. Interestingly, two-thirds of the pre-retirement group are also onside with this strategy.

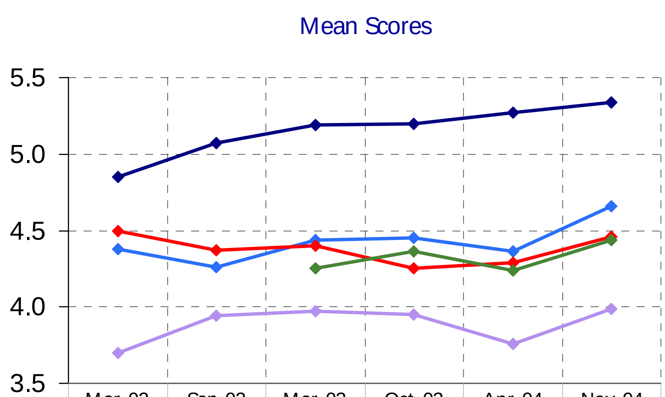
Figure 2.9 — comparing rates of return

Q Over the long term, some types of investments can give you a better rate of return than others. 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: random, streamed half sample; percentages; n=1,014} TV

Figure 2.9a — tracking perceived returns on investment types



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Real estate	4.85	5.07	5.19	5.20	5.27	5.34
Canadian stocks	4.38	4.26	4.44	4.45	4.36	4.66
Foreign Stocks	4.50	4.37	4.40	4.25	4.29	4.46
Corporate Bonds			4.25	4.36	4.24	4.44
Government bonds	3.70	3.94	3.97	3.95	3.76	3.99

{Base: random, streamed half sample; means} TV

Perceived long-term returns on all types of investment have taken a favourable bounce, especially on Canadian stocks

The data in the tracking charts on the opposite page are presented in a different format from the one used in previous reports. The chart is based on the mean scores of all respondents, and not only on the percentage of respondents who rate each type of investment positively. From a technical point of view this is a more sensitive presentation of the total results.

Real estate continues to be seen by most Canadians as the preferred type of investment for high returns over the long term. On a scale where a perfect score is 7.00, real estate scores 5.34, significantly higher than any of the other investment vehicles. Moreover, the score has been steadily increasing from survey to survey as positive associations with real estate returns become more widespread.

In the spring of 2004, when scandal and governance issues were more at the forefront in the media, the score for returns on Canadian stocks fell back slightly from what had appeared to be a positive trend. In the latest measurement, the original trend has reasserted itself and the reputation of Canadian stocks for providing good long-term returns now ranks a clear second among the investment options studied.

Foreign stocks have also recovered their reputation, and are now virtually back at the level they were at in the Benchmark survey – though their risk profile remains high (see next page).

Corporate bonds are also thought of as being a good long-term investment, at a mean score higher than previously recorded.

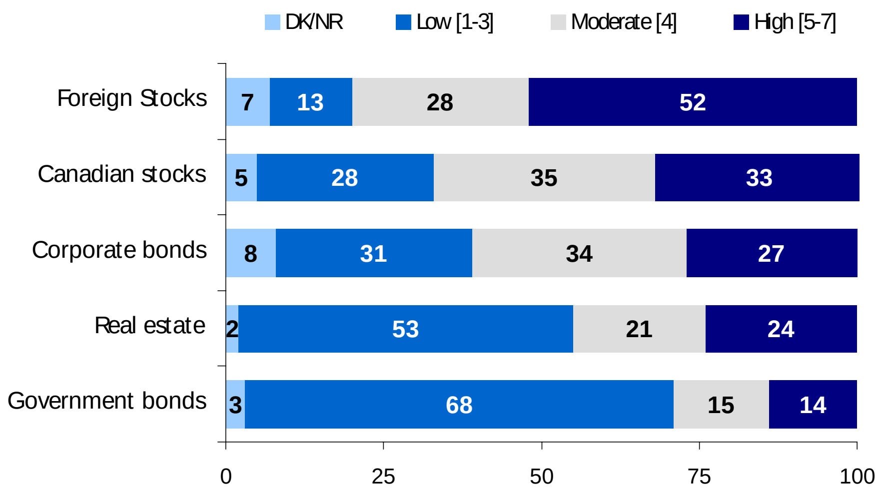
Although showing a bounce, government bonds remain at the bottom of the list on this indicator as they have always been during the survey period, with a score below 4.00.

The pattern of preference for various investment options among demographic segments remains as previously reported. In general, men tend to be more bullish on stocks; women more bullish on government bonds. Those with higher incomes, and investors, are also more likely to favour stocks as good long-term investments.

However, real estate remains as the top choice among all segments.

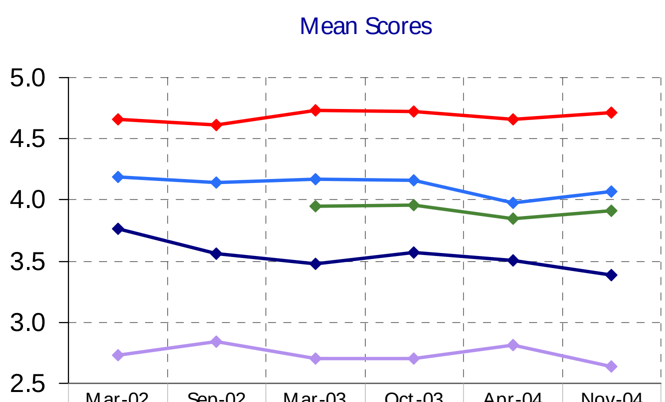
Figure 2.10 — comparing risks

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



{Base: random, streamed half sample; percentages; n=993} TV

Figure 2.10a — tracking perceived risk of investment type



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Foreign stocks	4.66	4.61	4.73	4.72	4.66	4.71
Canadian stocks	4.19	4.14	4.17	4.16	3.98	4.07
Corporate bonds			3.95	3.96	3.85	3.91
Real estate	3.76	3.56	3.48	3.57	3.51	3.39
Government bonds	2.73	2.84	2.70	2.70	2.81	2.64

{Base: random, streamed half sample; means} TV

Real estate is seen as less risky than even corporate bonds, and the risk/return ratio suggests the real estate bubble continues to inflate

The real estate mystique continues to grow in investors' minds, with the fewest number of Canadians classifying it as a high-risk investment since surveying began. At a mean score of just 3.39 on a scale of 7.00, this is the lowest score yet recorded for this class of investment, and represents a steady decline in the risk assessment from the Benchmark survey.

The four other types of investment all show a fairly steady trend in their mean scores for risk. Foreign stocks remain far and away at the top of the risk chart Canadian stocks and corporate bonds are scored in a very similar manner in the middle of the chart. Government bonds remain with the lowest risk profile, well below that of all other assets classes.

There are some slight variations in assessment of risk across the various demographic and regional groups, but the overall pattern is quite consistent, even among people with the largest amounts to invest.

The chart below shows the ratio of risk to return (see Figure 2.9A). In a perfect theoretical world the ratio of risk to return should approximate 1.00. As the chart shows, this is more or less true for corporate bonds, Canadian stocks and foreign stocks, which generally range between .90 (foreign stocks) and 1.14 (Canadian stocks and corporate bonds).

However, the ratios for both real estate and government bonds show much higher perceived "premiums" for these two assets types.

At a time when returns on almost all investments have been so low by historical standards, the premium for government bonds is perhaps explainable. However, real estate shows a steady increase in the ratio between perceived risk and return, and now appears to be venturing into unrealistic territory. When an index becomes so inflated, is it reasonable to expect that at some point the bubble is going to burst? This will require careful watching, especially if interest rates start to move up.

Table 2.1: ratio of risk to return

	TRACKING SURVEYS					
	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Foreign stocks	0.97	0.95	0.93	0.90	0.92	0.95
Canadian stocks	1.03	1.03	1.06	1.07	1.10	1.14
Corporate bonds			1.08	1.10	1.10	1.14
Real estate	1.29	1.42	1.49	1.46	1.50	1.58
Government bonds	1.35	1.39	1.47	1.46	1.34	1.51

Summary and Implications

In general, Canadians are feeling pretty good about the economy, and the future outlook is also positive

- The feel-good mood extends across the country and throughout most demographic segments, and this tends to put a rosy glow on answers to some other indicators

The proportion of Canadians who rate their own financial knowledge as being good has plateaued at a little above one third

- These people are the core group that the CPP Investment Board needs to keep on side. They are most likely to understand financial concepts and theories and to have well-informed opinions about the Board's activities
- The group is overrepresented among men, and those with higher income, higher amounts of private investments, and higher levels of education

Canadians are divided about their willingness to take some risk with savings to earn higher returns

- Seniors and the retired are the most risk averse; Albertans the most risk prone

Faith in long-term returns in the stock markets is still strong, and a majority still believes in investing when the market is down, but whether the market is the best place for long-term returns is still debateable

- Canadians are more likely to agree that the stock market is a good long-term investment than they were a couple of years ago, but there are still many doubters

Real estate is still most widely seen as the best vehicle for long-term returns

- In the most recent survey, all investment vehicles have taken a favourable bounce as places to earn high long-term returns, but real estate is still the favourite

Real estate is seen as less risky even than corporate bonds

- Does this indicate a bubble? And will it burst?

Chapter 3
Perceptions of the Canada Pension Plan

The Canada Pension Plan is a public pension plan that covers the vast majority of employees in the country outside the Province of Quebec. The CPP Investment Board is the investment arm of the CPP. It is responsible for investing on behalf of the Plan, but it does not administer it, nor have responsibility for it. Attitudes toward the Plan itself may therefore be separate from attitudes toward the CPP Investment Board, though, of course, they are likely to be intertwined.

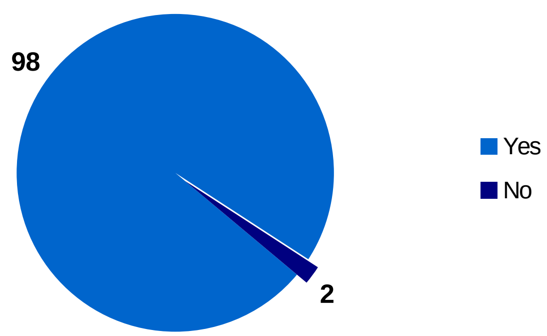
With the exception of a small minority of younger people, virtually all Canadians outside Quebec are aware of the Canada Pension Plan. Responses to questions about the Plan are therefore based on virtually the entire adult population.

The indicators covered in this chapter cover attitudes toward the CPP itself:

- CPP Awareness and Participation
- Overall Direction of the CPP
- Expected Reliance on the CPP
- Viability of the Pension Promise

Figure 3.1 — awareness of the canada pension plan

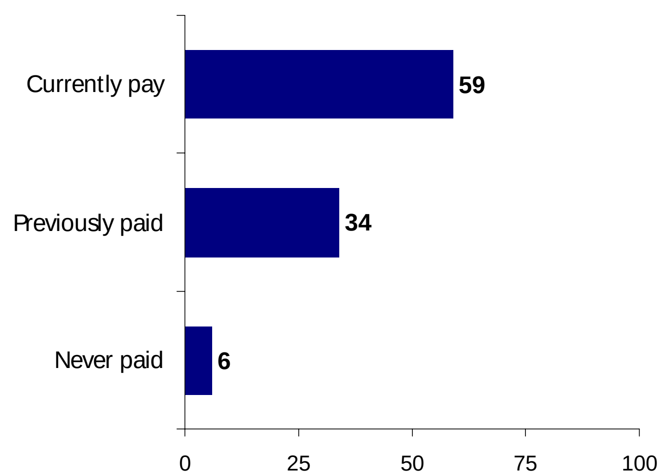
Q Have you heard of the Canada Pension Plan or CPP?



{Base: all; percentages; n=2,007} TV

Figure 3.2 — cpp contributions

Q The Canada Pension Plan, or CPP, is one of Canada's public pension plans. It is paid for by Canadian workers and their employers. Employee contributions to the CPP are automatically deducted from their pay. Have you ever paid into, or do you currently pay into the CPP?



{Base: all; percentages; n=2,007} TV

Virtually everyone has heard of the Canada Pension Plan and nearly everyone has paid into it at one time or other

As the first of the two charts on the opposite page shows, 98 per cent of Canadians have heard of the Canada Pension Plan. Only the youngest age group, those under 25, includes more than a smattering of people who have never heard of the Plan, and they also show up in the lowest income group, presumably because many of them are still young, in school, or not yet employed.

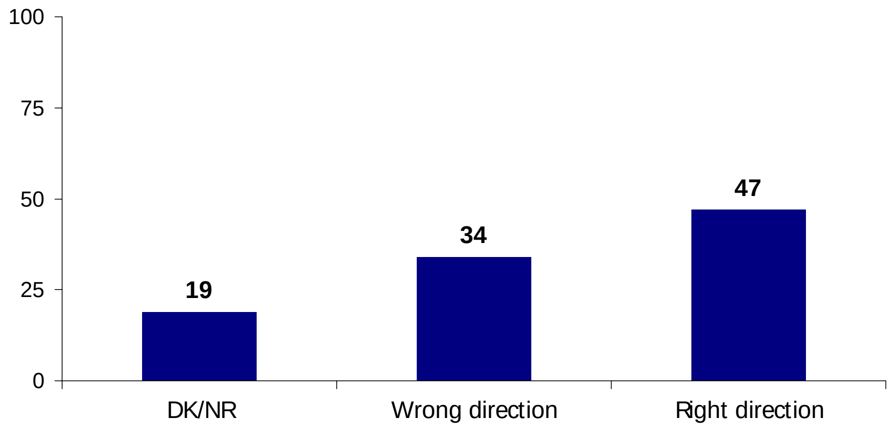
The second chart shows the universality of the Canada Pension Plan. Just 6 per cent of adult Canadians say they have never paid into the Plan.

There are some not-unexpected differences in current participation in the Plan. Women are significantly more likely than men to be previous contributors to the Plan, as are the pre-retirement cohort (and especially seniors) and the self-employed.

The great majority of those who say they have never paid into the plan are people in the youngest age group, and assuming that many are still pursuing their education, that finding is not unexpected.

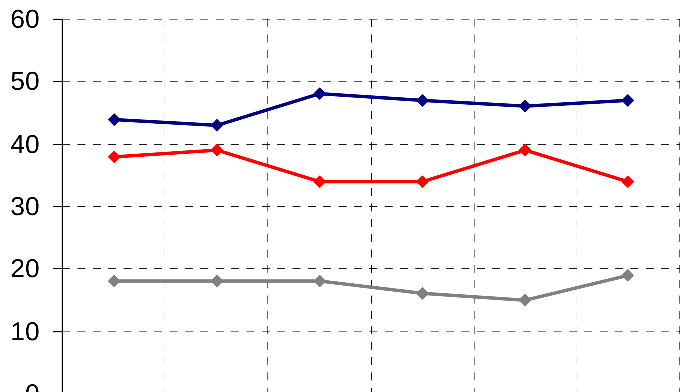
Figure 3.3 — overall direction of the cpp

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: all; percentages; n=2,007}　TV

Figure 3.3a — tracking overall direction of the cpp



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Right direction	44	43	48	47	46	47
Wrong direction	38	39	34	34	39	34
DK/NR	18	18	18	16	15	19

{Base: all; percentages}　TV

Almost half think the CPP is moving in the right direction, and the gainsayers have declined

Not everyone has been won over in support of the current direction of the Canada Pension Plan, though almost half of Canadians (47 per cent) think the overall health of the CPP is on the right track.

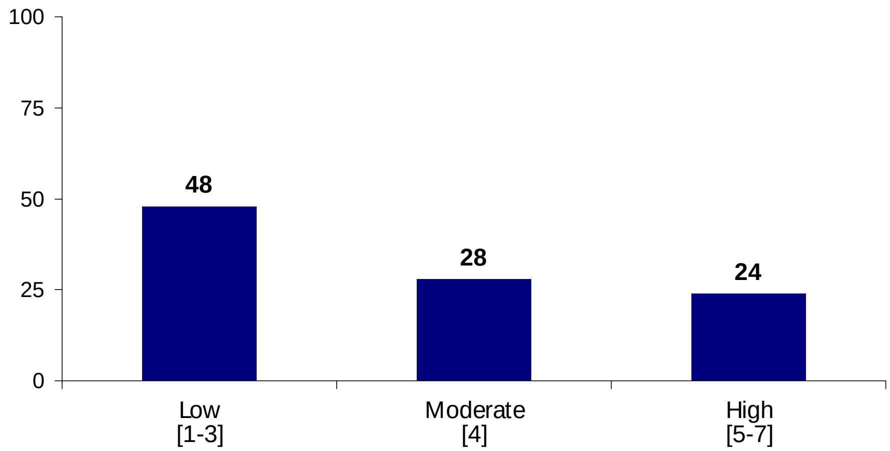
For whatever reason, in the spring 2004 survey, the number of people who thought the CPP's direction was on the wrong track spiked up by 5 points to 39 per cent. Fortunately, this has now dropped back to 34 per cent, continuing what appeared to be a mostly improving trend in the earlier survey years.

The key finding in the demographic data is the continuing negative attitude among the 25 to 44 year olds, encompassing the Generation Xers. In both the 25 to 34 age group and the 35 to 44 group, more people say the CPP is going in the wrong than the right direction. We have pointed this out in previous reports, and it is still a problem.

Alberta also remains a centre for those who think the CPP is going in the wrong direction, though slightly more Albertans now say the direction is right than say it is wrong.

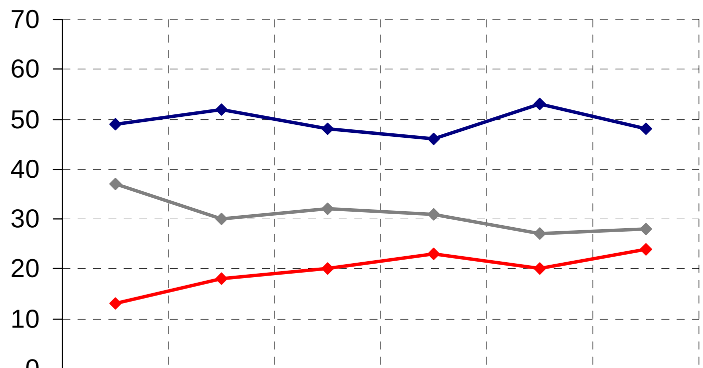
Figure 3.4 — expected reliance on the cpp

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



{Base: non-retired persons; percentages; n=1,519} TV

Figure 3.4a — tracking expected reliance on the cpp



	Mar-02 mean=3.17	Sep-02 mean=3.28	Mar-03 mean=3.41	Oct-03 mean=3.53	Apr-04 mean=3.29	Nov-04 mean=3.50
High ext. (5-7)	13	18	20	23	20	24
Moderate (4)	37	30	32	31	27	28
Low ext. (1-3)	49	52	48	46	53	48

{Base: non-retired persons; percentages} TV

Half of all Canadians say they expect to rely on the CPP for their retirement income to either a moderate or high extent; those expecting to rely on it a lot continue to increase

The CPP is not intended to replace all of a working person's income. It is promoted as being one source of retirement income among others, and contributors are encouraged in CPP communications to make supplementary income preparations.

Overall, just under half (48 per cent) of all non-retired Canadians say they expect to rely to a smallish extent on CPP benefits when they retire, but this represents a 5-point decline since earlier in the year.

The main story of the tracking chart on the lower part of the opposite page is the steady increase in the number of people who say they expect to rely on CPP benefits to a high extent. From just 13 per cent expecting this degree of reliance at the time of the Benchmark survey, the number has almost doubled to 24 per cent in the latest reading.

This increase may partly reflect an aging population and a more realistic assessment of retirement planning. It may also reflect low interest rates and the difficulty of finding safe, high-paying investments when preparing for retirement.

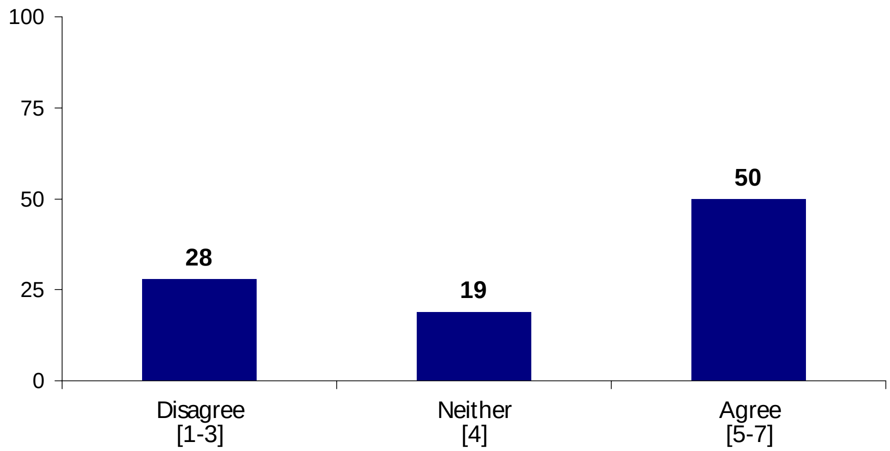
Those closest to retirement (the 55 – 64 age group) are most likely to say they will be heavily dependent on the CPP – 30 per cent – and another 38 per cent say they will be moderately dependent. At 63 per cent, the 25 – 34 cohort are the most likely to say they will have little dependence on the CPP, but there is still lots of time for reality to set in.

There is also a close correlation of expectation with income, which is to be expected. Those with the highest incomes and investments expect to be the least dependent on the CPP, and that is the way the plan is designed.

The increasing dependence on CPP benefits in an age of low interest rates may not be the CPP Investment Board's issue, but it is nevertheless a potential political issue.

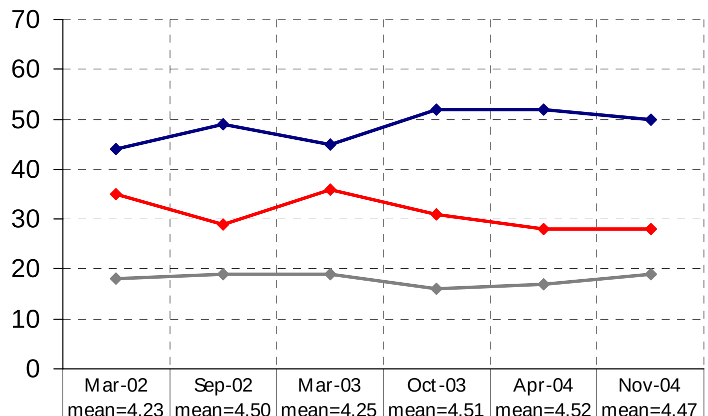
Figure 3.5 — viability of the pension promise

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



{Base: contributors; percentages; n=804} TV

Figure 3.5a — tracking viability of the pension promise



	Mar-02 mean=4.23	Sep-02 mean=4.50	Mar-03 mean=4.25	Oct-03 mean=4.51	Apr-04 mean=4.52	Nov-04 mean=4.47
Agree (5-7)	44	49	45	52	52	50
Neither (4)	18	19	19	16	17	19
Disagree (1-3)	35	29	36	31	28	28

{Base: contributors; percentages; n=804} TV

Still a lot of Canadians, and particularly younger ones, think the CPP will be out of money by the time they retire

Exactly half of all Canadians agree that the CPP will be out of money by the time they retire, which is a discouraging finding. On the other side, just over a quarter don't agree.

The trend chart shows that this perception is not changing very much.

As might be expected, age is clearly a demographic variable that is related to attitudes on this issue. Slightly more of the 45 – 54 year olds (41 per cent vs 40 per cent) disagree that the fund will be out of money; and a lot more of the 55 – 64 year olds say the same (51 per cent vs 21 per cent).

At the other end of the scale, 68 per cent of the 25 – 34 year olds think the fund will be out of money, compared with just 13 per cent who don't.

As we have noted previously, women are much more pessimistic on this score than are men.

Summary and Implications

The Canada Pension Plan is a universally known plan, and the great majority of Canadians have paid into it

- The trend in overall evaluation of the CPP's direction is back on the right track
- A growing number of Canadians say they expect to be relying heavily on the CPP pension when they are retired
- In the Benchmark survey only 13 per cent said they expected to rely a lot on their CPP pension – this has increased to 24 per cent
- The heaviest expected reliance is among those closest to retirement

There are still a lot of Canadians, and particularly younger ones, who expect the CPP to be out of money by the time they retire

- Given the growing crisis and escalating political din about Social Security in the U.S., it would be useful for the CPP to assure Canadians now about the long-term viability of their Plan

Chapter 4
Investing Canada Pension Plan Assets

It was the original role of the CPP Investment Board to invest the current surpluses in the Canada Pension Plan. Now that it has been decided to transfer all pension funds to the CPP Investment Board's safekeeping, responsibility for investing all these assets has been transferred to it alone.

Without naming the CPP Investment Board, the questions in this chapter relate to the public's attitudes toward CPP investments and investment practices, and as such, are a core part of the research.

Before asking any of the questions in this section, respondents were read a preamble as follows:

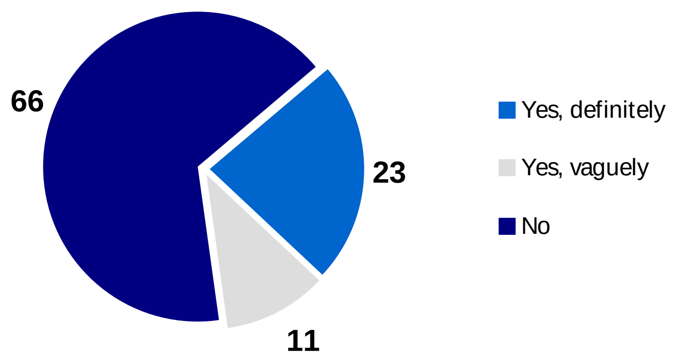
> *"Currently, the total amount of contributions that Canadians pay into the CPP each year is much larger than the amount of pension benefits paid out each year. This is expected to be true until at least 2021. This means that there is a growing pool of assets available to the CPP to help pay pension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

The indicators included in this chapter are:

- Awareness of CPP Assets
- Amount of CPP Assets
- Aversion to Investing in Public Equities
- Comfort with Volatility and Investing in Public Equities
- Confidence in CPP Market Investments
- Diversified Portfolio and Comfort with Public Equities
- Tolerance for Different Levels of Public Equities

Figure 4.1 — awareness of cpp assets

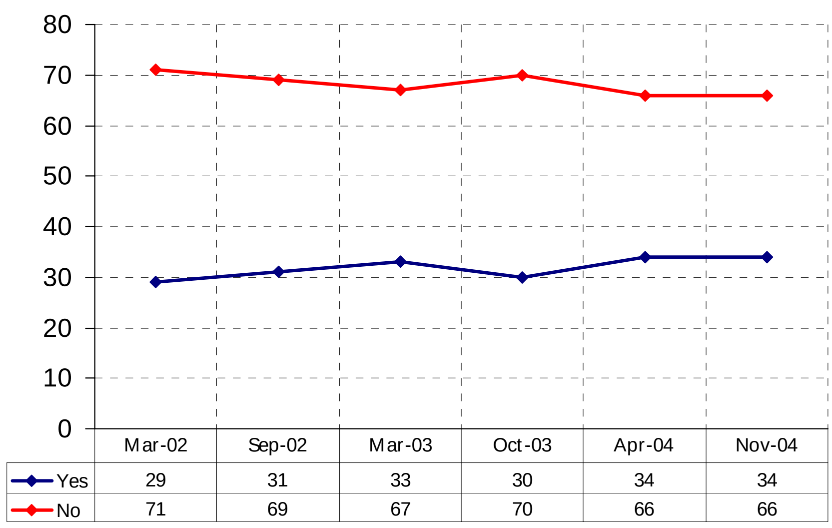
Q Were you aware that there is currently a large pool of CPP assets to help pay future pension benefits?



{Base: all; percentages; n=2,007}

TV

Figure 4.1a — tracking awareness of cpp assets



{Base: percentages}

TV

There has been little change in public awareness of the large pool of CPP assets

Having been read the preamble to this section of questions, respondents were then asked if they had been aware that there is currently a large pool of CPP assets to help pay future pension benefits. About a third say they are aware of the existence of this pool.

The tracking chart shows that this level of awareness has gradually increased from 29 per cent in the Benchmark survey to 34 per cent in the latest measurement. Considering the extent to which the pool itself has swelled during this time frame, from $53 billion to $75 billion, this level of recognition still appears to be low. Perhaps as the pool grows larger, the more it will attract attention from the media and various activists, and the more the Canadian public will become aware of its existence.

The skews in awareness, previously noted, continue. Knowledge of the pool is closely related to education and income, and also to age – 38 per cent of seniors say they are clearly aware of the pool (higher than previously recorded). Men are also still more aware of its existence than are women.

Figure 4.2 — amount of cpp assets

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

	Mar-03 n=1,524	Oct-03 n=1,406	Apr-04 n=2,008	Nov-04 n=1,051*
More than $100 billion	6	6	5	5
$75 to $100 billion	4	4	5	5
$50 to $75 billion	10	8	8	8
$25 to $50 billion	11	12	12	13
$10 to $25 billion	17	18	17	17
$1 to $10 billion	19	18	23	23
Less than $1 billion	5	7	7	7
DK/NR	28	28	22	23

{Base: all; percentages; * random half sample} TV

Preamble

CPP assets currently total approximately $75 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.

For most Canadians, estimating the size of the CPP's assets is still more a guess than a statement

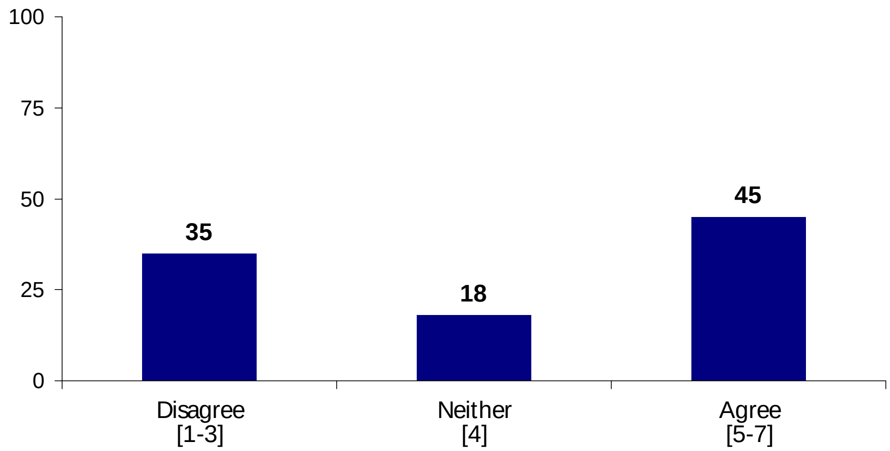
Although the size of the pool is itself a moving target, Canadians do not seem to be any closer to estimating its size. About a quarter don't even want to hazard a guess.

There is no clear demographic or regional pattern in the responses on this indicator, but it is interesting to note that people who make more money tend to think in terms of larger amounts, and those who make less money guess smaller amounts – to them a billion dollars is still a big deal.

After they were asked for their estimate of the amount of the pool, respondents were read the statement shown on the opposite page giving them the correct amount of the CPP's assets so that they would have a frame of reference for the balance of the questions in this section.

Figure 4.3 — aversion to investing in public equities

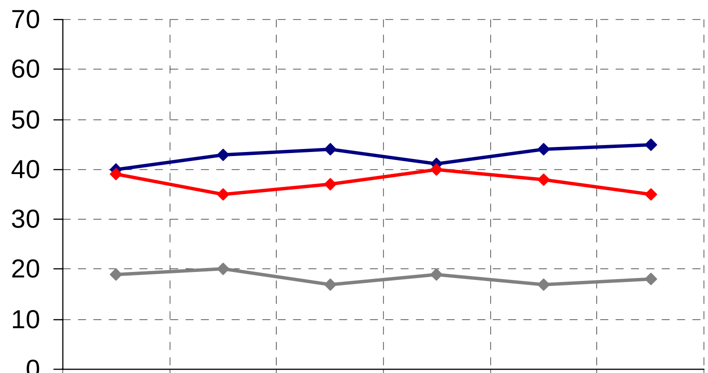
Q It is a bad idea to invest a portion of CPP assets in the stock market because the CPP could lose a lot of money and not be able to pay future pension benefits.



{Base: all; percentages; n=2,007}

TV

Figure 4.3a — tracking aversion to investing in public equities



	Mar-02 mean=4.09	Sep-02 mean=4.24	Mar-03 mean=4.23	Oct-03 mean=4.07	Apr-04 mean=4.16	Nov-04 mean=4.29
Agree (5-7)	40	43	44	41	44	45
Neither (4)	19	20	17	19	17	18
Disagree (1-3)	39	35	37	40	38	35

{Base: percentages}

TV

The gap has widened again on the side of Canadians who are opposed to investing CPP assets in the stock markets because of the risks attached

The indicator charted on the opposite page is deliberately worded to dig into fears about stock market investments. People were asked for their level of agreement with the proposition that "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."

Agreeing with this concern are 45 per cent of Canadians, and that is a level that has not been recorded previously.

At the same time, the number that disagrees with the statement has declined slightly to 35 per cent, reopening up the gap in a negative direction.

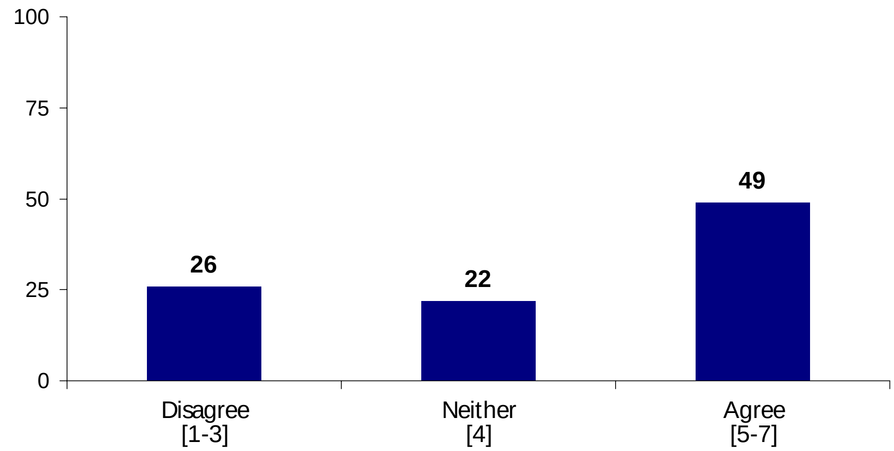
There are quite sharp differences in opinion on this indicator between different demographic segments, probably because the consequences of the risks are spelled out in the question (see next page for counter indicator).

There is a significant lean toward agreement (i.e. the risk averse) among women, the under 25s, those with high school or less education, those with less than $20K, and those with either no or only small investments. Residents of the Prairies are also much more likely to agree with this position than are Canadians in other regions.

On the other end of the scale, there is a lean toward disagreement (i.e. in favour of stock investments) among men, those with university education, making more than $100K and with substantial investments.

Figure 4.4 — comfort with volatility & investing in public equities

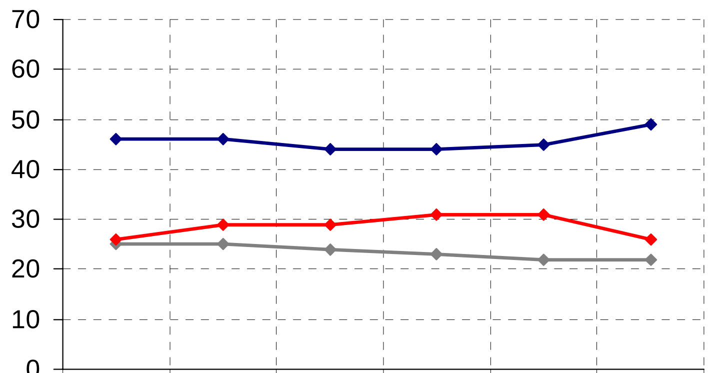
Q Although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn't bother me because the gains will more than compensate over the next 20 years.



{Base: all; percentages; n=2,007}

TV

Figure 4.4a — tracking comfort with volatility & investing in public equities



	Mar-02 mean=4.30	Sep-02 mean=4.16	Mar-03 mean=4.14	Oct-03 mean=4.13	Apr-04 mean=4.16	Nov-04 mean=4.31
Agree (5-7)	46	46	44	44	45	49
Neither (4)	25	25	24	23	22	22
Disagree (1-3)	26	29	29	31	31	26

{Base: percentages}

TV

The theory that long-term market gains will more than compensate for short-term losses is quite widely accepted

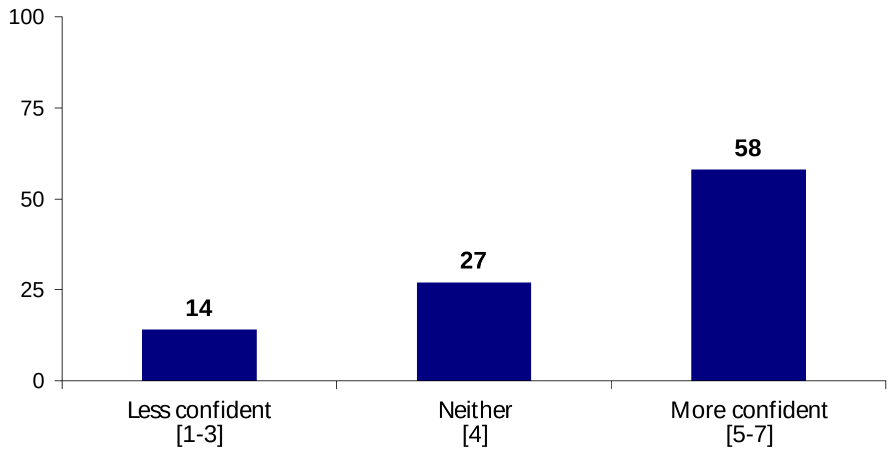
The previous indicator spelled out the possibility that CPP investments in the stock market could end up losing a lot of money so that future pension benefits would suffer. Given those specific outcomes, concerns about the risks are more widespread. However, when Canadians are asked for their opinion about the theory of long-term gains in the stock market, 49 per cent agree, while just 26 per cent disagree, and the lean toward agreement has widened in the latest survey as the lower chart shows.

The lean in favour of this position is noticeably related to education and income. Two thirds of people making more than $100K or having investments of more than $250K agree with the statement.

The juxtaposition of these two indicators is interesting from a communications point of view. Many people want to believe that there are good outcomes from the stock market, but their confidence can be easily spooked by any reference to a risky downside.

Figure 4.5 —confidence in cpp market investments

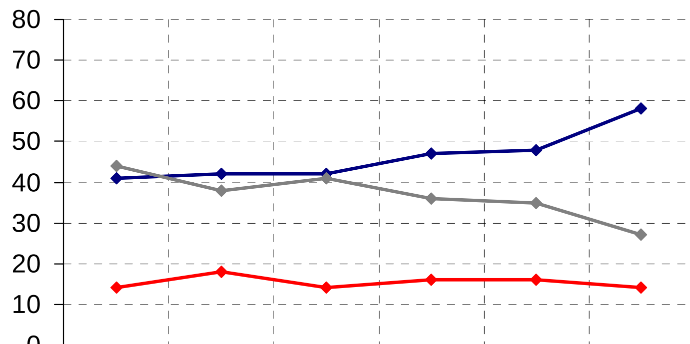
Q Does the fact that CPP assets are being invested to increase returns make you more or less confident in the long-term health of the Canada Pension Plan?



{Base: all; percentages; n=2,007}

TV

Figure 4.5a —tracking confidence in cpp market investments



	Mar-02 mean=4.38	Sep-02 mean=4.34	Mar-03 mean=4.38	Oct-03 mean=4.91	Apr-04 mean=4.45	Nov-04 mean=4.80
More confident (5-7)	41	42	42	47	48	58
Neither (4)	44	38	41	36	35	27
Less confident (1-3)	14	18	14	16	16	14

{Base: percentages}

TV

There is a sharp increase in the number of Canadians who say the investment of CPP assets to increase returns makes them more confident in the plan's future health

In the previous two surveys, there was a steady increase in the proportion of Canadians who said that the fact that CPP assets are being invested to increase returns makes them more confident in the long-term health of the plan, from 42 per cent in March 2003 to 48 per cent in April 2004.

This level of confidence has jumped sharply once again. In the latest measurement, 58 per cent say this investment makes them more confident about the long-term health of the plan.

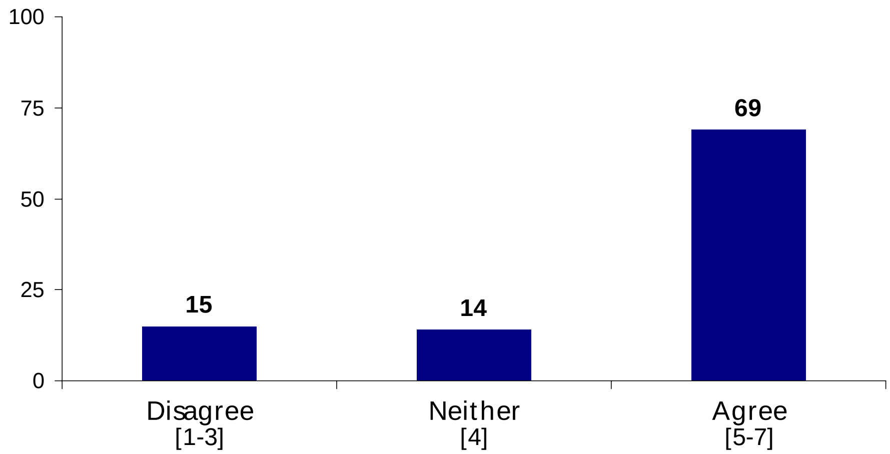
At the same time, just 14 per cent say this type of activity makes them less confident about the plan's future, a number that has barely changed during the survey period.

What appears to have happened is that those who were neutral about this type of investment are now more comfortable with it, and express this comfort in terms of increased confidence in the plan's future.

It is interesting to note that the increase in confidence occurs across all demographic and regional segments, almost all of which register significant improvements on this score since the previous survey.

Figure 4.6 — diversified portfolio & comfort with public equities

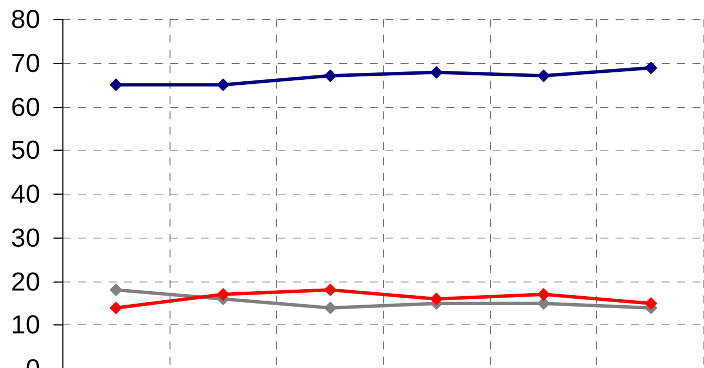
Q I would be okay with investing a portion of CPP assets in the stock market if I knew that the rest of the assets were invested in other kinds of investments like government bonds.



{Base: all; percentages; n=2,007}

TV

Figure 4.6a — tracking diversified portfolio & comfort with public equities



	Mar-02 mean=4.98	Sep-02 mean=4.89	Mar-03 mean=4.86	Oct-03 mean=4.91	Apr-04 mean=4.88	Nov-04 mean=5.00
Agree (5-7)	65	65	67	68	67	69
Neither (4)	18	16	14	15	15	14
Disagree (1-3)	14	17	18	16	17	15

{Base: percentages}

TV

A large majority of Canadians would be okay with investing some portion of CPP assets in stocks if the rest were in low-risk instruments

Over the course of the survey period, about seven Canadians in ten have said that they are willing to accept some investment of CPP assets in the stock market as long as the balance is kept in other kinds of (low risk) investments such as government bonds. This finding is completely consistent with the national belief, confirmed in every survey, that diversification of investments is good, and too many eggs in one basket is bad.

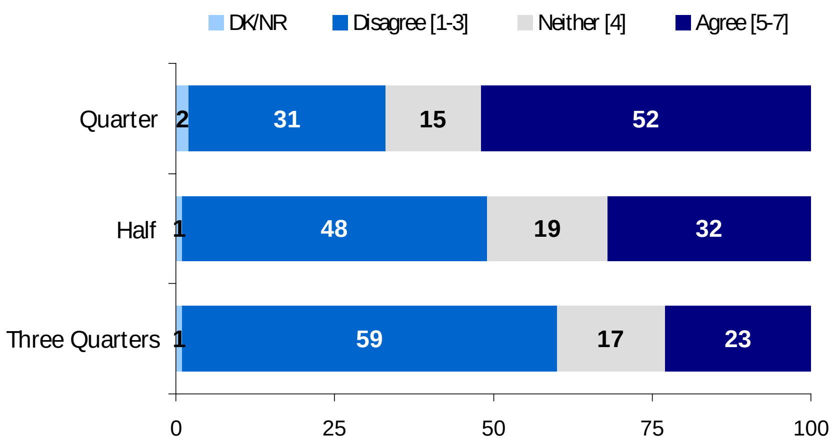
As the top chart shows, 69 per cent of Canadians are quite willing for some portion of CPP assets to be invested in the stock market as long as the rest are invested in other kinds of investments, like government bonds. Only 15 per cent disagree with this.

Among demographic segments, there is above average agreement with this position among those with university education and investors, especially larger investors.

There is above average disagreement among those with the lowest level of income, non-investors and also among women.

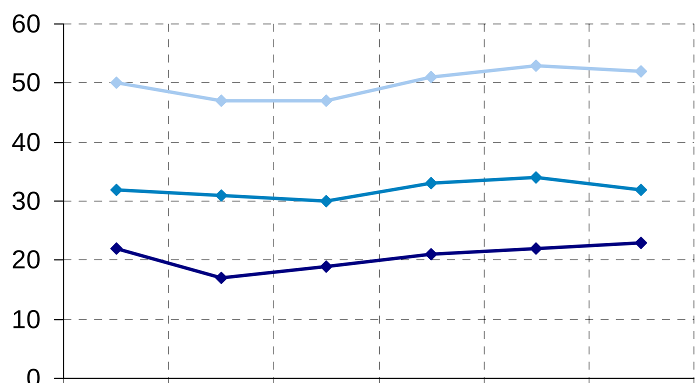
Figure 4.7 — tolerance for difference levels of public equities

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



{Base: random 1/3 sample; percentages;} TV

Figure 4.7a — tracking tolerance for difference levels of public equities



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Quarter	50	47	47	51	53	52
Half	32	31	30	33	34	32
Three Quarters	22	17	19	21	22	23

{Base: one third sample; percentages} TV

Half of Canadians have no problem with a quarter of CPP assets being invested in the stock market, but less than one in four agrees with three-quarters being in stocks

The previous page indicates that a significant majority of Canadians are comfortable with some level of CPP assets being invested in the stock market, as long as the rest are kept in other types of investment such as government bonds. As a follow up, 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 person is asked about more than one level.

As the tracking chart shows, comfort with the three levels of stock investment has remained comparatively stable over the survey period, with some of the variation being within the normal margin of error of the survey. (Please note that there is no mention about the balance of assets being kept in safer investments, as in the previous indicator)

In the latest measurement, 52 per cent of Canadians agree that they would have no problem if up to a quarter of CPP assets were invested in the stock market, while just under a third (31 per cent) are uncomfortable even at that level.

About a third say they would have no problem if up to a half of the assets were invested in stocks, but 48 per cent balk at this suggestion.

Just about a quarter (23 per cent) would have no problem with three-quarters of CPP assets being in stocks, but three in five would.

As might be expected from attitudinal patterns found in other indicators, there is a tendency for men, and higher income and educational groups to agree with stock market investment, particularly at the two lower levels. It is worth noting, however, that more than half the people in every demographic segment disagree with three-quarters of CPP assets being invested in stocks, including those in the highest income and investment brackets.

As the CPP Investment Board gradually increases its stock holdings, it will be important to factor this attitudinal information into communications materials that explain the Board's policies.

Summary and Implications

Still about two-thirds of Canadians are unaware that the CPP has a substantial and growing reserve of assets available to pay pensions

- The great majority are simply guessing when estimating the size of those assets

Even though it is widely accepted that in the long term the market will more than make up for any short term losses, there is still widespread nervousness about possible losses leading to reduced pensions

- With a growing number of people expecting to be very dependent on their pension in their old age, any suggestion of potential losses in the stock market makes people anxious and more risk averse

At the same time, a growing number are more confidence in the CPP's future now that some assets are going into the markets

What's reasonable? The great majority of Canadians think some portion of CPP assets should be invested in stocks, but at the suggestion that 75 per cent might be in stocks, most head for the doors

- 69 per cent are in favour of CPP stock investments in principle; 52 per cent agree with one quarter of CPP assets being invested in stocks; 32 per cent agree with a half being in stocks; but just 23 per cent agree with three-quarters being invested in the market
- This finding has implications for the CPP Investment Board's investment practices and communications

Chapter 5
CPP Investment Board Awareness and Reputation

Somewhat surprisingly, given the media attention in the past few months, the CPP Investment Board remains an unknown entity to the great majority of Canadians. This may not necessarily be a bad thing.

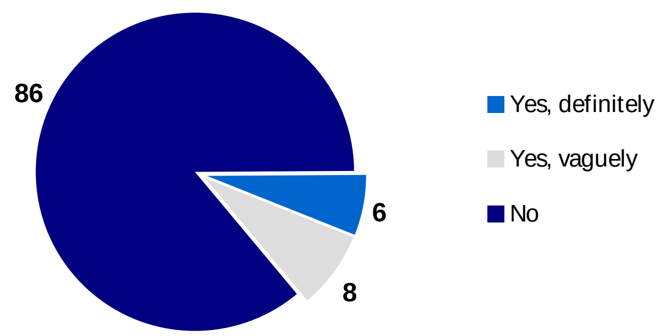
The chapter of the report presents the latest tracking findings on the public's knowledge of and attitudes toward the CPP Investment Board.

The indicators included in this section are:

- Unprompted Awareness of CPP Investment Board
- Prompted Awareness of CPP Investment Board
- Recall of Media Reports
- Content of Media Reports
- Reputation – Performance
- Reputation – Trust in Investment Professionals
- Reputation – Belief in CPP Investment Board
- Reputation – Overall Impression
- Concerns about Political Influence
- Confidence in Board Model

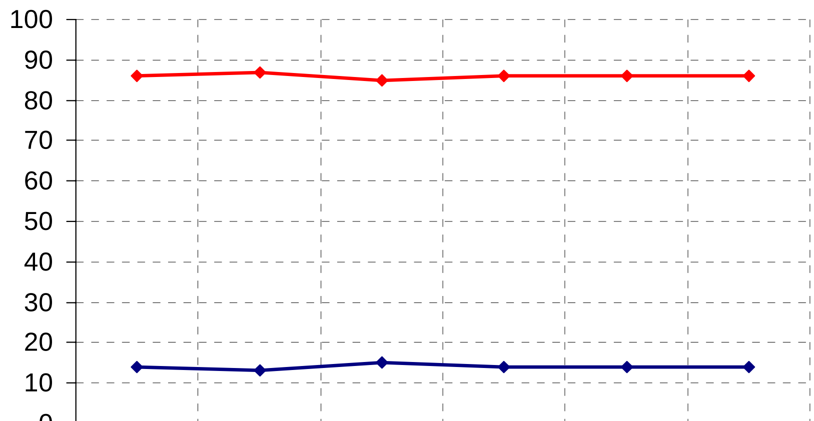
Figure 5.1 — unprompted awareness of the cpp investment board

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



{Base: all; percentages; n=2,007} TV

Figure 5.1a — tracking awareness of the cpp investment board



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Yes	14	13	15	14	14	14
No	86	87	85	86	86	86

{Base: all; percentages} TV

The percentage of Canadians who say they have heard of the CPP Investment Board, without any prompting, remains steady at 14 per cent

Surprisingly, there has been no increase in unprompted awareness of the CPP Investment Board over the past six months. Just 6 per cent say they have definitely heard of it, and another 8 per cent say they are vaguely aware.

As the tracking chart shows, this level of awareness remains rock steady since the Benchmark survey was conducted almost three years ago.

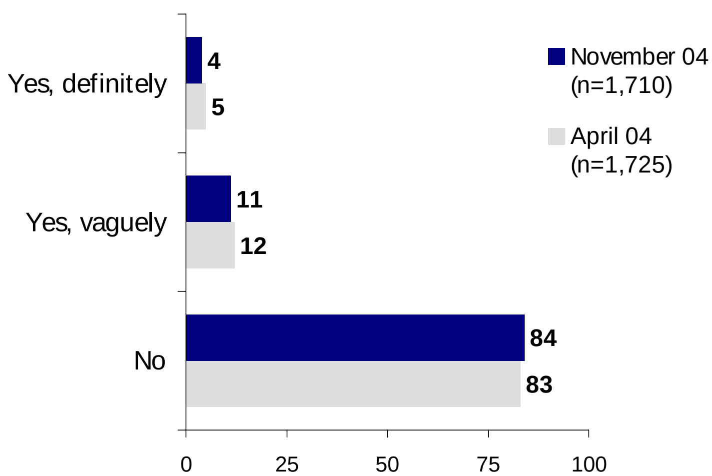
As in previous tracking surveys, there are some significant skews in awareness, though still at modest levels. The groups most likely to be aware of the CPP Investment Board are men (18 per cent), seniors (22 per cent), those with higher incomes (17 per cent), and investors – and especially large investors (25 per cent)

Preamble

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 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 5.2 — prompted awareness of the cpp investment board

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



{Base: not aware without prompting; percentages} TV

With prompting, just over a quarter of Canadians are aware of the CPP Investment Board

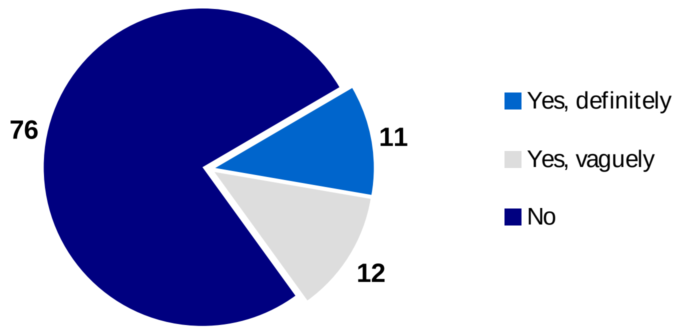
The 86 per cent of Canadians who said that they have never heard of the CPP Investment Board (see previous page) were read the statement at the top of the opposite page to prompt them for any recollection they might have. Even after this fairly lengthy prompting, only 4 per cent definitely recalled hearing about the Board, and another 11 per cent vaguely remembered.

Therefore, adding the 14 per cent who are aware of the Board unprompted to the 13 per cent who remember it on prompting, just over a quarter of Canadians (27 per cent) can be said to have some awareness of the CPP Investment Board, ranging from those with a very clear knowledge to those with just a vague recollection.

There are practically no significant differences in the pattern of prompted awareness among demographic segments, with the slight exception that the pre-retirement cohort are somewhat more likely than average to recall hearing about the Board, but still at very low levels.

Figure 5.3 — recall of media reports

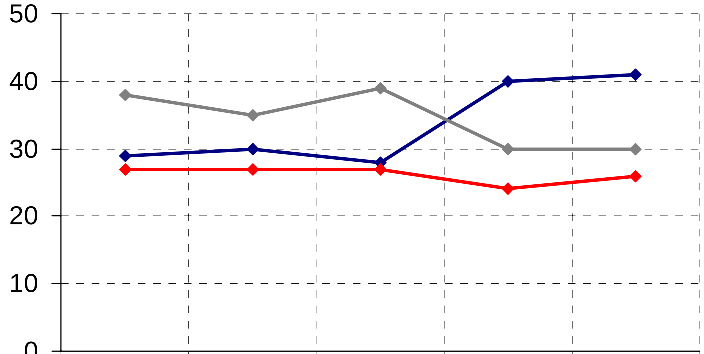
Q Over the past six months or so, do you recall any media reports about the CPP Investment Board?



{Base: aware of CPP Investment Board; percentages; n=566} TV

Figure 5.4 — direction of media reports

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



	Sep-02 (n=149)	Mar-03 (n=172)	Oct-03 (n=134)	Apr-04 (n=161)	Nov-04 (n=140)
Positive (5-7)	29	30	28	40	41
Neither (4)	38	35	39	30	30
Negative (1-3)	27	27	27	24	26

{Base: recall media reports; percentages} TV

Recall and Direction of Media Reports

Recall of media reports about the CPP Investment Board is slightly lower than at the time of the previous survey but the balance of items recalled is still strongly positive

People who are aware of the CPP Investment Board are asked whether they recall any media reports about it in the past six months or so.

In the latest survey, 11 per cent say they definitely recall such a report, and another 12 per cent say they vaguely recall something about it. This is still less than a quarter of the people who have even heard of the CPP Investment Board, itself a small minority.

The pattern of recall, as might be expected, is higher among men, those with higher income, investments and education, and also among seniors.

In the April 2004 survey, recall, either definite or vague, was reported by 29 per cent, so the current level of recall actually represents a slight drop, something of a surprise given the controversy about certain types of investment.

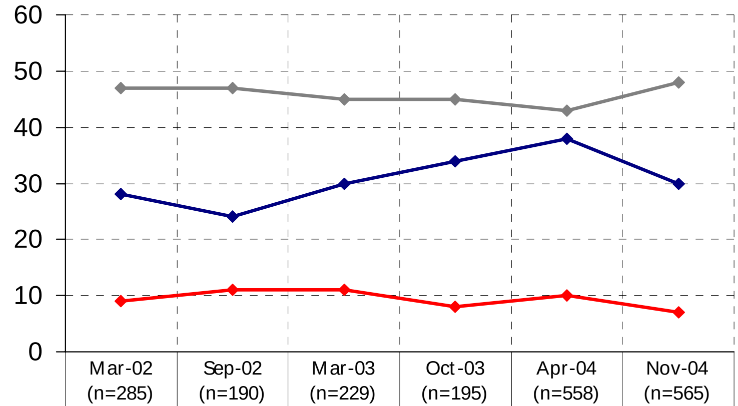
Perhaps also something of a surprise, the characterization of the type of media reports that people recall is still favourable on balance, with 41 per cent saying the report was positive, compared with 26 per cent who say it was negative. This pattern or response is essentially the same as that in the previous survey.

There are practically no differences in this positive balance of recall across regional and demographic segments.

(Note: Analysis of the content of recalled media reports is on Page 147)

Figure 5.5 — reputation — performance

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

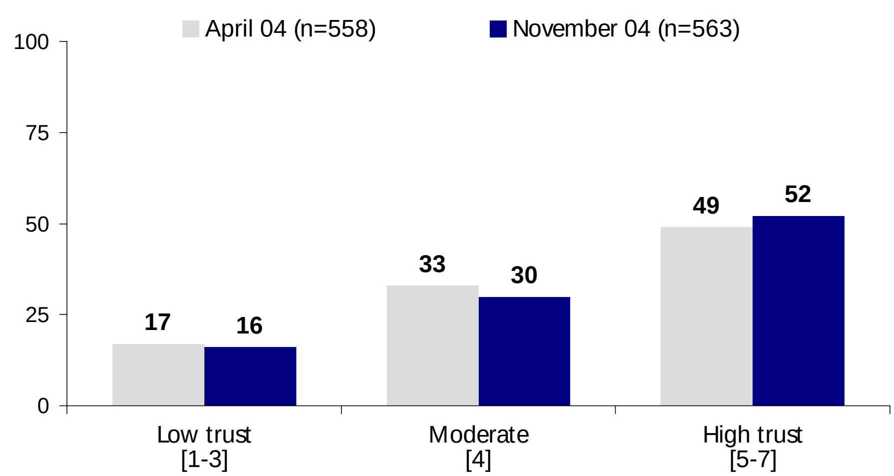


	Mar-02 (n=285)	Sep-02 (n=190)	Mar-03 (n=229)	Oct-03 (n=195)	Apr-04 (n=558)	Nov-04 (n=565)
Good (5-7)	28	24	30	34	38	30
Neither (4)	47	47	45	45	43	48
Poor (1-3)	9	11	11	8	10	7

{Base: aware of CPP Investment Board; percentages} TV

Figure 5.6 — reputation — trust in investment professionals

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?



{Base: aware of CPPIB; percentages} TV

The rating of the CPP Investment Board's performance has dropped a little, but trust in its professionals remains high

Two indicators related to performance are shown on the opposite page. The first tracking chart shows the rating that Canadians who are aware of the CPP Investment Board give to the overall performance of its investment activities.

From the first tracking study in September of 2002, the overall rating showed a steady improvement. In April 2004, 38 per cent gave it a good rating, compared with just 10 per cent who rated its performance as poor.

In the latest measurement, the "good" rating has slipped to 30 per cent, but the "poor" rating has also dropped slightly, with the neutral rating (and the don't know rating) both increasing.

This indicator is only asked of people who are aware of the CPP Investment Board, so numbers are too limited to make any confident statements about where the decline in the rating has occurred, or why. Suffice it to point out that the overall ratings are very consistent across all demographic segments.

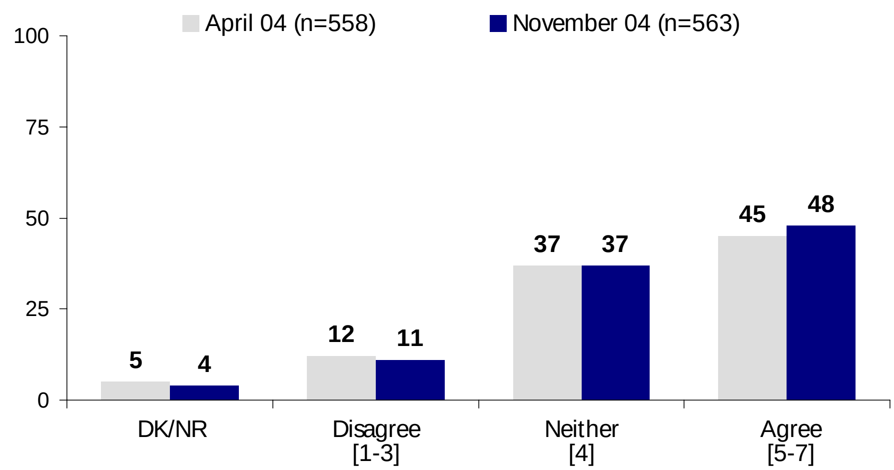
The second indicator is also asked only of those people who are aware of the CPP Investment Board. This was the second time for it to be included in the survey. As the lower chart shows, trust in the Board's investment professionals remains at the same high level as recorded in the first survey.

Just over half the people who are aware of the Board say they have a high level of trust that its professionals are doing what's best for the long-term health of the CPP. Just 16 per cent don't think this is the case, a fairly small minority.

Important segments, such as investors and the university educated, are more likely to show high trust in the professionals than is the population as a whole, and this is a positive result.

Figure 5.7 — reputation — belief in the cpp investment board

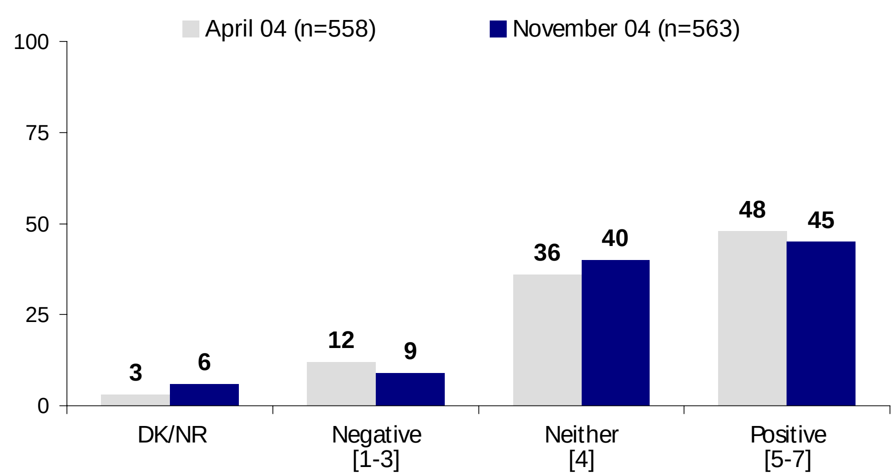
Q I really believe in what the CPP Investment Board is doing.



{Base: aware of CPPIB; percentages} TV

Figure 5.8 — reputation — overall impression

Q Can you please tell me whether your overall impression of the CPP Investment Board is positive or negative?



{Base: aware of CPPIB; percentages} TV

There is a strong positive lean toward the CPP Investment Board's role

The two indicators charted on the opposite page were asked only of people who have any awareness of the CPP Investment Board.

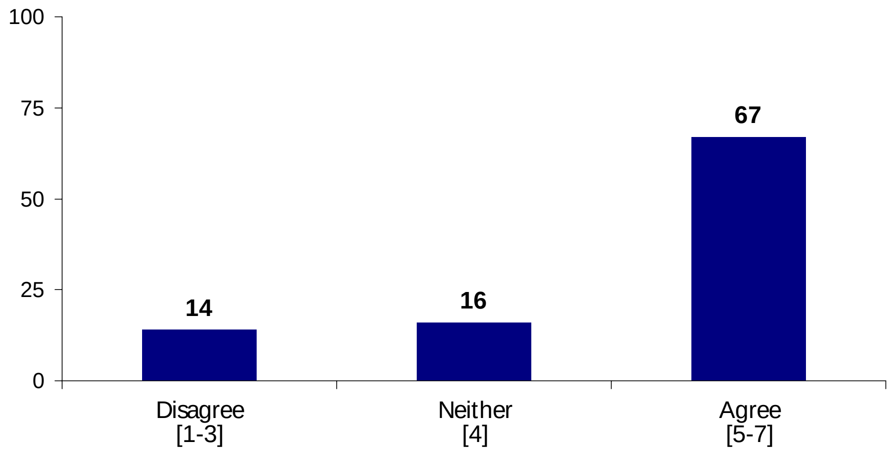
In answer to a question about whether they believe in what the CPP Investment Board is doing, four times as many agree as disagree. The positive lean is strongest among men, seniors and especially among those with higher levels of investments (65 per cent vs. 9 per cent). In British Columbia and the Prairies there is a higher proportion of gainsayers, but the overall lean is still strongly positive.

In the second indicator, those who are aware of the CPP Investment Board were asked whether their overall impression of the Board is positive or negative. Again, five times as many are positive as are negative. (The apparent slight decline in the number is within the margin of error of the survey for groups of this size)

The strongly favourable lean extends right across all demographic and regional segments.

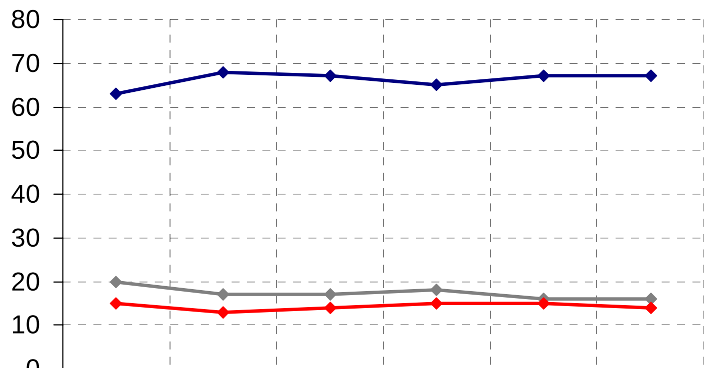
Figure 5.9 — concerns about political influence

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



{Base: all; percentages; n=2,007} TV

Figure 5.9a — tracking concerns about political influence



	Mar-02 mean=5.07	Sep-02 mean=5.27	Mar-03 mean=5.12	Oct-03 mean=5.08	Apr-04 mean=5.13	Nov-04 mean=5.15
Agree (5-7)	63	68	67	65	67	67
Neither (4)	20	17	17	18	16	16
Disagree (1-3)	15	13	14	15	15	14

{Base: percentages} TV

Concerns are still widespread about possible political influence in the way CPP assets are invested

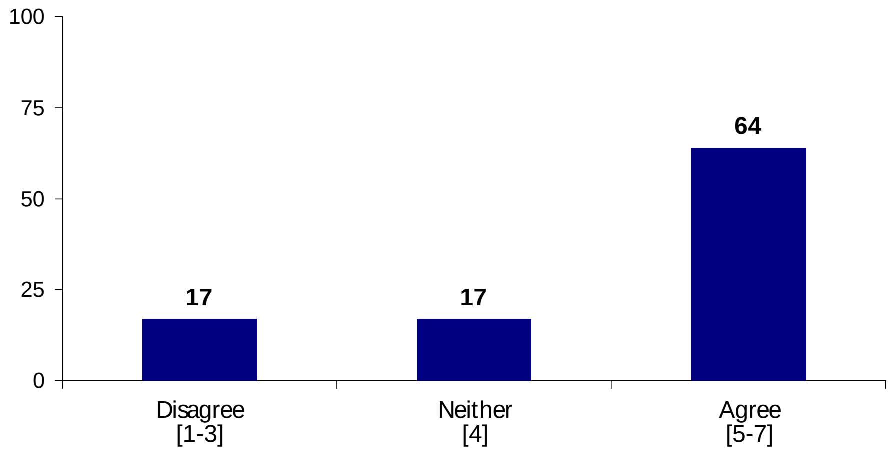
Still about two-thirds of Canadians worry that there may be political influence in the way CPP assets are invested, and this number has barely changed in any tracking survey since the Benchmark survey was conducted.

There are some minor variations in responses to this indicator across various demographic and regional groupings (seniors are least likely to be worried), but, in general, the level of concern about possible political influence tends to be widespread right across all segments of the population.

This finding continues to support the CPP Investment Board's constant focus on the importance of good governance and the independence of its own board members.

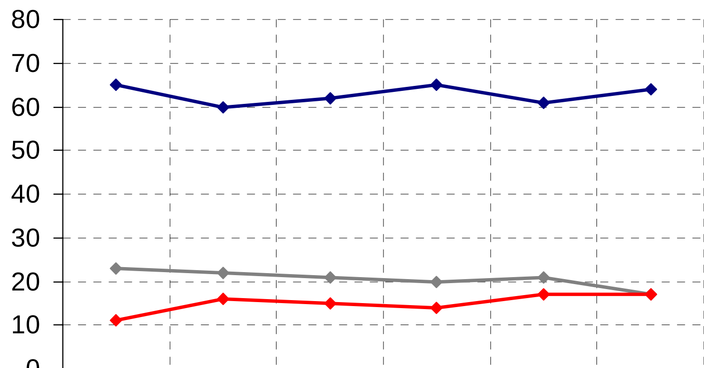
Figure 5.10 — confidence in board model

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.



{Base: all; percentages; n=2,007} TV

Figure 5.10a — tracking confidence in board model



	Mar-02 mean=5.09	Sep-02 mean=4.83	Mar-03 mean=4.80	Oct-03 mean=4.90	Apr-04 mean=4.72	Nov-04 mean=4.84
Agree (5-7)	65	60	62	65	61	64
Neither (4)	23	22	21	20	21	17
Disagree (1-3)	11	16	15	14	17	17

{Base: percentages} TV

Confidence in the board model shows a slight uptick and remains overwhelmingly positive

At the time of the last tracking survey, the balance of opinion about the board's governance model had swung down a little, no doubt reflecting the fallout from the sponsorship scandal, turbulence in the wake of a tied federal election, and malfeasance at Hollinger and others.

The public mood on these issues now appears to have settled, and 64 per cent now agree (an increase of three points) that they are confident that investment professionals recruited to invest CPP assets, and fully accountable to a board of directors with business and investment expertise, would make investment decisions that are best suited to ensuring the long-term health of the CPP. The sceptics remain at 17 per cent, which is six points higher than it was at the time of Benchmark survey.

The balance of opinion on this issue is remarkable consistent across most demographic variables. Men are somewhat more likely to agree than are women, but women are more likely to be unsure than negative.

There are also no significant regional differences on this issue.

Summary and Implications

Even after considerable prompting, only one Canadian in four has ever heard of the CPP Investment Board

- Without prompting awareness remains at one in seven

There is a strong favourable lean in favour of the concept of having investment professionals investing CPP assets

- More than half the public has high trust that these professionals are doing what's best for the long-term health of the CPP
- However, in the latest measurement, fewer people assess the CPP Investment Board's performance as good, though those assessing it as poor have not increased

There is also a strong lean in favour of what the CPP Investment Board is doing and in people's overall impression of it

The issue of potential political interference is still a hot button

- Two-thirds of Canadians say they are worried that there may be political interference in the way CPP assets are being invested, and this level of concern has never wavered

Offsetting concerns about political interference, confidence in the board model remains strong

- The public expresses continuing faith in the oversight provided by an independent board of directors with business and investment expertise

Chapter 6
Private Investments and Pension Plans

As Canadians prepare for retirement, they are encouraged to look to three sources of future income, the CPP and social insurance benefits, private pensions and personal savings, often in the form of RRSPs. It is assumed that for most people, the CPP pension will not be the only source of income. If it turns out to be the only source, there could be growing pressure to increase the level of its benefit.

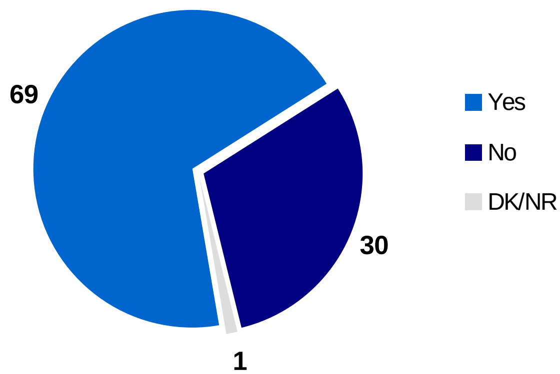
As background information, the focus of this chapter is on other sources of retirement income.

The indicators included are:

- Incidence of Investment Ownership
- Incidence of Past Investments
- Amount of Investments
- Incidence of RRSP Ownership
- Incidence of Private Pension Plans
- Type of Pension Plan
- Confidence in Private Pensions (Defined Benefit)
- Confidence in Private Pensions (Defined Contribution)

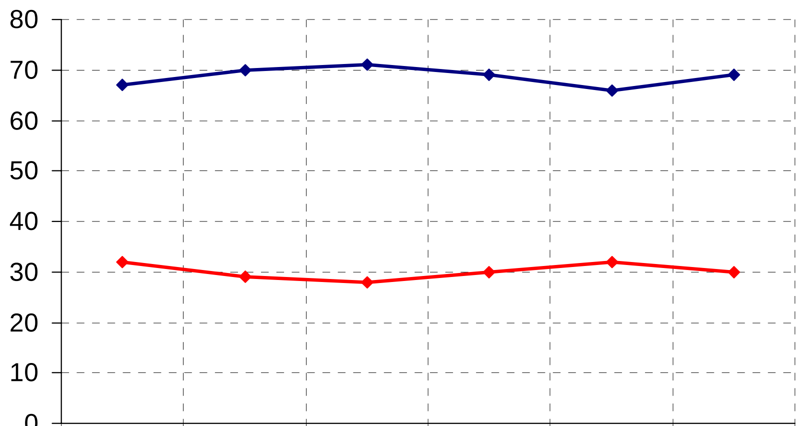
Figure 6.1 — incidence of investment ownership

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: all; percentages; n=2,007} TV

Figure 6.1a — tracking incidence of investment ownership



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Yes	67	70	71	69	66	69
No	32	29	28	30	32	30

{Base: percentages} TV

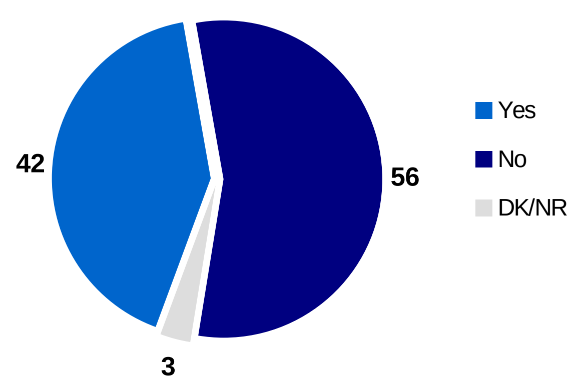
Two-thirds of Canadians currently have personal investments

Respondents were first asked if they personally have any investments in stocks, mutual funds, GICs, or bonds, including any they may have in an RRSP. In response, 69 per cent say they currently have such personal investments, a figure that has remained in the same range since the beginning of this series of surveys.

As might be expected, these results are heavily skewed by income, with three-quarters or more of people earning $60K and above reporting such investments. Incidence is also skewed by age, with three-quarters or more of people over 45 reporting having these investments. The lowest incidence is reported by those making less than $20K (25 per cent) and by those in the youngest age category (26 per cent).

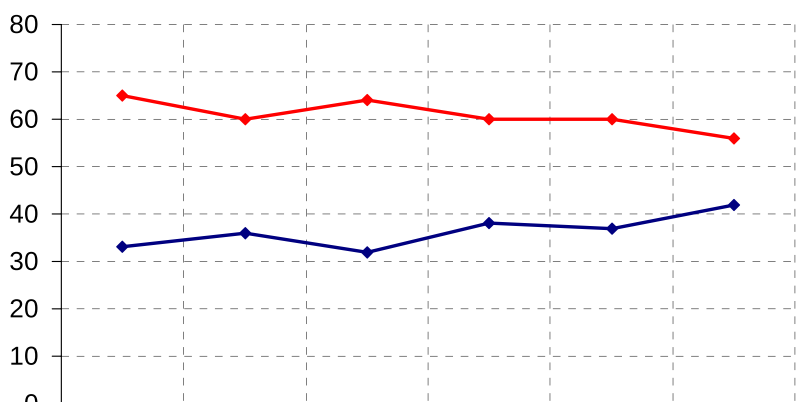
Figure 6.2 — incidence of past investments

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



{Base: do not currently own investments; percentages, n=632} TV

Figure 6.2a — tracking incidence of past investments



	Mar-02 (n=720)	Sep-02 (n=464)	Mar-03 (n=411)	Oct-03 (n=419)	Apri-04 (n=643)	Nov-04 (n=632)
Yes	33	36	32	38	37	42
No	65	60	64	60	60	56

{Base: percentages} TV

The great majority of Canadians now have or previously had personal investments, but one in five do not

People who do not currently have investments in stocks, mutual funds, GICs or bonds, including RRSPs, were asked if they have ever had this type of investment. Just under half (42 per cent) of those who say they don't currently have this type of investment report they have had them in the past, and as might be expected, the highest incidence of past ownership is among seniors (53 per cent).

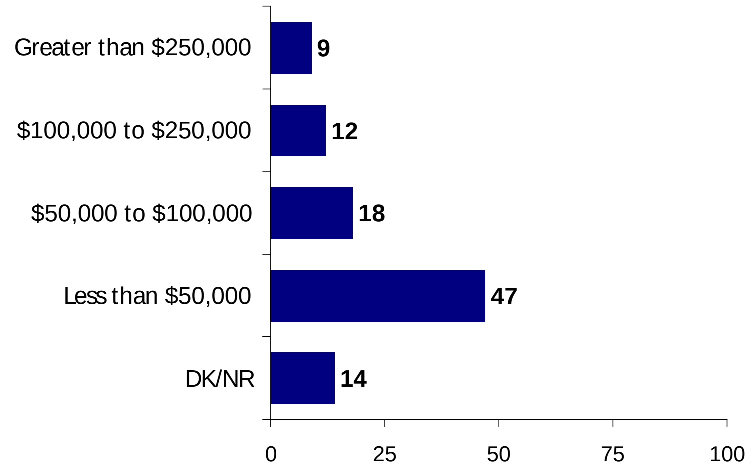
As the tracking chart shows, the incidence of past ownership is increasing. At the time of the Benchmark survey 33 per cent of non-current investors reported that they had previously had such investments. That figure has now risen to 42 per cent in a fairly steady progression over the tracking period. There may be a number of reasons for this, including losses on the stock market, cashing in of investments, and switching to real estate or other forms of assets. It is a trend to watch.

Combining the data from this and the previous indicator, approximately 82 per cent of Canadians report either current or past ownership of personal investments, which is a high number. However, it still leaves almost one person in five who does not have such investments now or in the past. Of course, many of these are in the youngest age groups, but, for example, 12 per cent of the 55 – 64 pre-retirement cohort are also in this category.

Retirement could be a difficult time for some of these people.

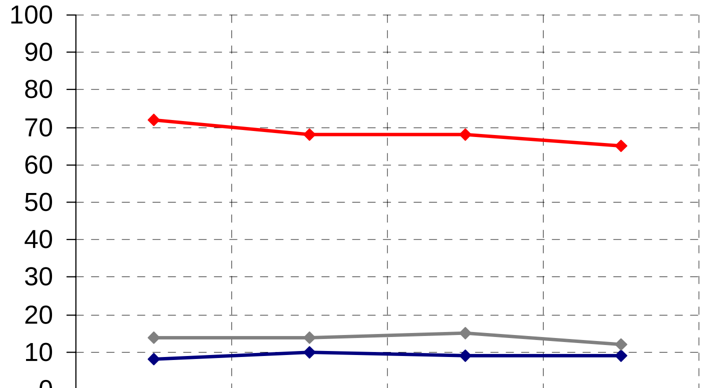
Figure 6.3 — amount of investments

Q What is the total amount of investments you currently have in savings and other investments, excluding any real estate?



{Base: investors; percentages, n=1,686} TV

Figure 6.3a — tracking amount of investments



	Mar-03	Oct-03	Apr-04	Nov-04
$250K or more	8	10	9	9
$100K to $250K	14	14	15	12
Less than $100K	72	68	68	65

{Base: percentages} TV

While the majority of Canadians have some investment savings, the average amount of these investments is quite modest, especially in terms of providing retirement income

As reported, almost seven in ten Canadians have some personal investments, but as the opposite chart shows, the size of these investments is quite modest, and has not grown appreciably since the start of the survey period.

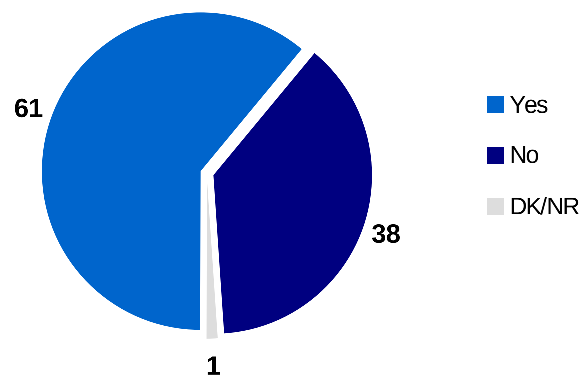
About two-thirds (65 per cent) of investment holders report that the sum of their investments is less than $100K and 47 per cent (about half the investing population) have investments worth less than $50K. While such sums may be useful for a rainy day, they will not provide substantial income if rates of return remain in their current low range, and the cost of housing, fuel and property taxes continues to rise.

The numbers are, of course, sharply skewed by income and age, with older, higher income people having more substantial investments, and younger and lower income people having substantially less.

Just looking again at the important 55 – 64 pre-retirement cohort, a quarter (27 per cent) has less than $50K in savings (excluding any real estate), while 21 per cent have between $100K and $250K, and just 17 per cent have more than $250K. These are fairly modest sums on which to supplement an expected 20 plus years of retirement.

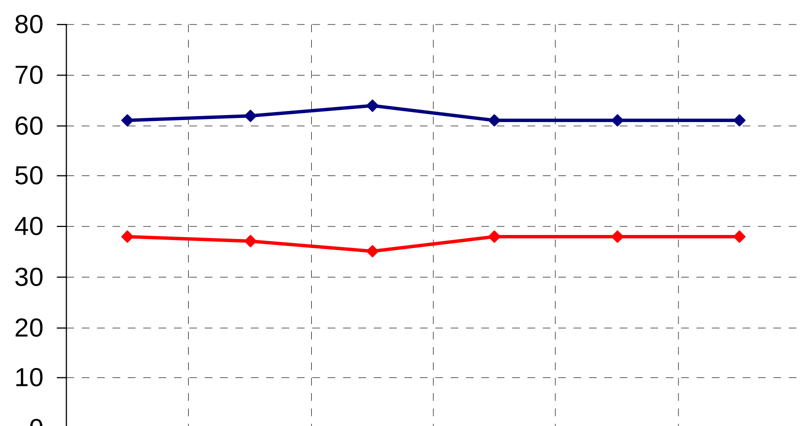
Figure 6.4 — incidence of rrsp ownership

Q Do you have an RRSP?



{Base: all; percentages, n=2,007} TV

Figure 6.4a — tracking incidence of rrsp ownership



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Yes	61	62	64	61	61	61
No	38	37	35	38	38	38

{Base: percentages} TV

About three-quarters of Canadians over 35 have an RRSP, an incidence that remains steady

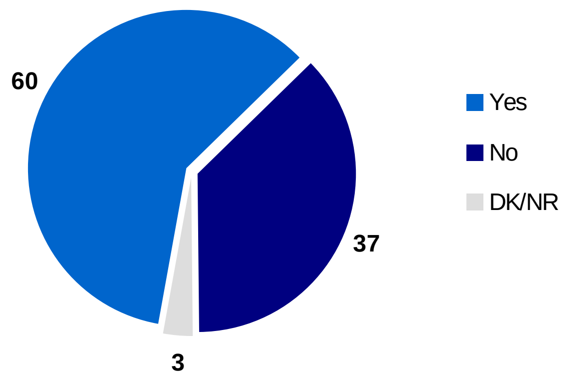
Overall, 61 per cent of Canadians report having an RRSP, but this figure is substantially reduced by the younger age groups, many of whom have not yet opened a retirement savings plan.

Among older groups, the RRSP is fairly universal, with the highest incidence being reported by the 55 – 64 pre-retirement group, 78 per cent of whom report having an RRSP. That still leaves 21 per cent in this age category who say they do not have this type of retirement plan.

As the tracking chart shows, ownership of RRSPs remains steady across the survey period.

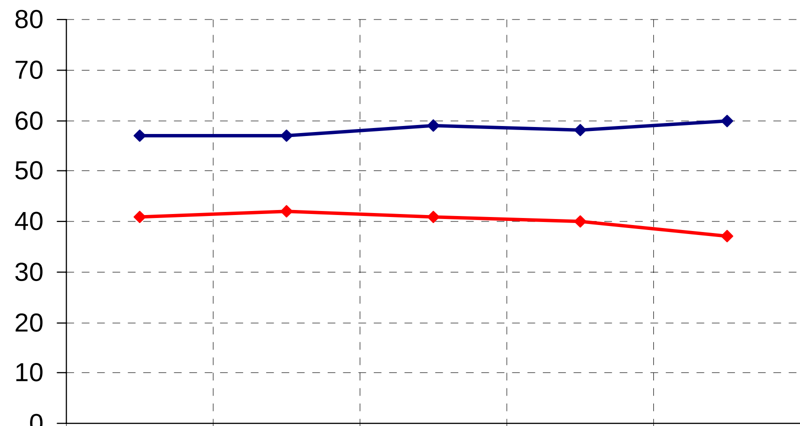
Figure 6.5 — incidence of private pension plans

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



{Base: employed full-time or on leave; percentages, n=864} TV

Figure 6.5a — tracking incidence of private pension plans



	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Yes	57	57	59	58	60
No	41	42	41	40	37

{Base: percentages} TV

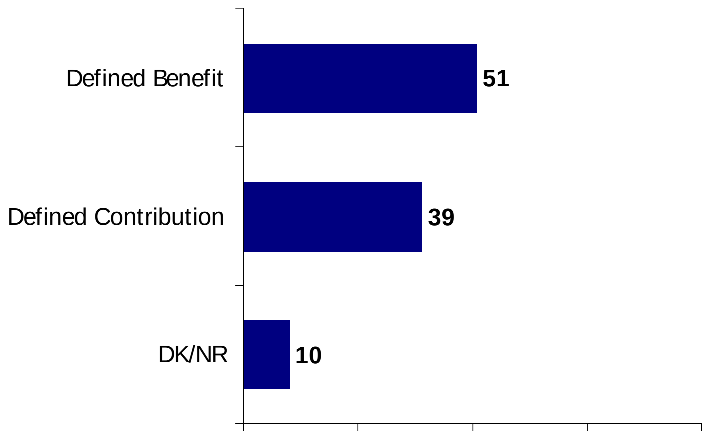
Enrolment in private pension plans is slightly higher than previously reported

Three Canadians in five (60 per cent) who are employed full time say they are currently members of a private pension plan through their employer. Though the incidence of enrolment in such plans has basically remained constant throughout the survey period, this figure is the highest recorded to date, and is in conflict with some media reports that suggest that many employers are dropping retirement plans.

As reported previously, there are quite sharp breaks in the incidence of enrolment in an employer-supported plan. Enrolment reaches 66 per cent or higher in all age groups older than 35 (and is much lower in younger groups). Incidence is at the same high level for people in income categories above $40K. It is sharply lower for people making less than this amount. Higher educational groups (often closely linked with higher income) are also more likely to be enrolled in an employer plan.

Figure 6.6 — type of pension plan

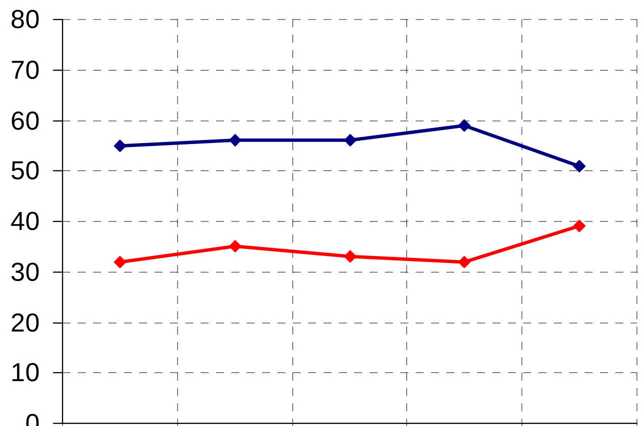
Q Is this pension the type that guarantees you a fixed amount of benefits when you retires, or one where the amount of benefits you will receive will vary depending on how well the pension fund investments perform?



{Base: private pension holders; percentages. n=549}

TV

Figure 6.6a — tracking type of pension plan



	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04
Defined Benefit	55	56	56	59	51
Defined Contribution	32	35	33	32	39

{Base: percentages}

TV

There appears to be a trend away from Defined Benefit and toward Defined Contribution Plans

Respondents who reported that they are enrolled in employer-supported pension plans were asked about their type of plan, as described in the chart on the opposite page.

Still the largest number (51 per cent) report that they are enrolled in a defined benefit plan, but this is the lowest reported incidence of such plans since the start of the survey period, and is significantly lower than reported at the time of the last tracking survey.

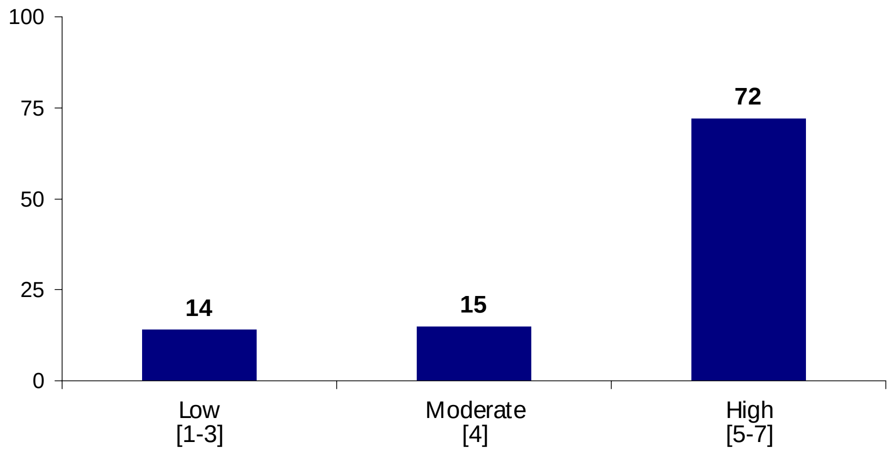
At the same time, there has been a sharp increase in the proportion of people who say they are enrolled in a defined contribution plan, to 39 per cent, from 32 per cent in the prior tracking survey. The percentage of people who are unsure about the type of plan remains constant, but is significantly higher among younger groups and those with lower incomes.

There appears to be a relationship between the age of respondents and the type of plan in which they are enrolled. About two thirds of people over 35 say they are enrolled in a defined benefit plan. Those under 35 are almost as likely to be enrolled in a defined contribution plan as a defined benefit plan, though there is also considerable doubt about the type of plan among this younger age group.

If this trend holds in the future, defined benefit plans could be expected to decline, and defined contribution plans, where the risk is shifted to the employee, could be expected to increase.

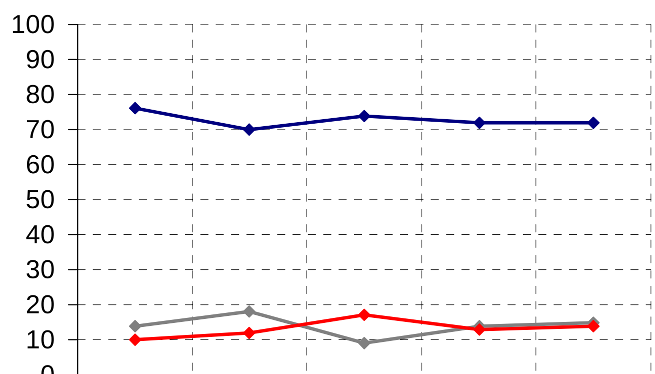
Figure 6.7 — confidence in private pensions (defined benefit)

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



{Base: members of defined benefit plans; percentages; n=332} TV

Figure 6.7a — tracking confidence in private pensions (defined benefit)



	Sep-02 mean=5.59	Mar-03 mean=5.37	Oct-03 mean=5.31	Apr-04 mean=5.40	Nov-04 mean=5.39
High confidence (5-7)	76	70	74	72	72
Moderate (4)	14	18	9	14	15
Low confidence (1-3)	10	12	17	13	14

{Base: members of defined benefit plans; percentages} TV

Confidence in Private Pension (Defined Benefit)

The great majority of Canadians enrolled in a defined benefit pension plan are confident that the plan will pay their benefits when they retire

Confidence in defined benefit plans remains high. Overall, nearly three-quarters of persons enrolled in such plans believe that the plan will be able to pay their promised benefits when they retire.

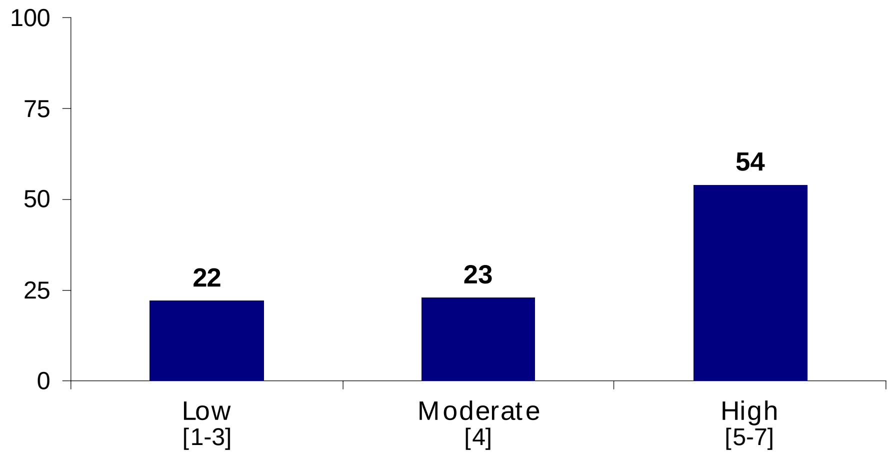
The figure is even higher among those closest to retirement age with 80 per cent of those in the 45 – 54 age bracket, and 86 per cent of those in the 55 – 64 pre-retirement bracket being confident about their benefits.

Low confidence in the plan's ability to pay is almost entirely restricted to people under the age of 45.

As the tracking chart shows, confidence in this type of plan has remained steady throughout the survey period.

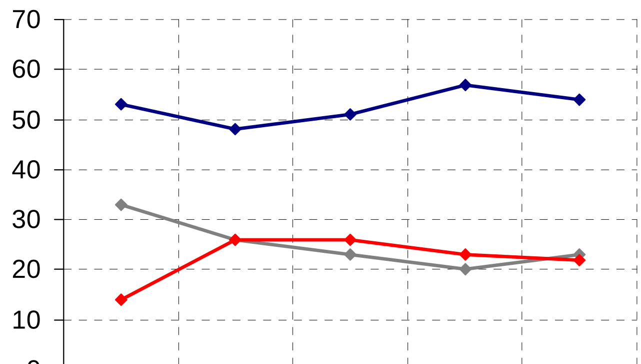
Figure 6.8 —confidence in private pensions (defined contribution)

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



{Base: members of defined contribution plans; percentages; n=169} TV

Figure 6.8a —tracking confidence in private pensions (defined contribution)



	Sep-02 mean=4.58	Mar-03 mean=4.31	Oct-03 mean=4.26	Apr-04 mean=4.68	Nov-04 mean=4.61
High confidence (5-7)	53	48	51	57	54
Moderate (4)	33	26	23	20	23
Low confidence (1-3)	14	26	26	23	22

{Base: members of defined contribution plans; percentages} TV

Employees are much less confident that their defined contribution plan will be able to pay them reasonable benefits when they retire

In contrast with the high level of confidence in defined benefit plans, employees who are enrolled in defined contribution plans are much less confident in their plan's ability to pay them reasonable benefits on retirement. Just 54 per cent say they are confident about their plan's ability to pay in comparison with the 72 per cent who are confident about their defined benefits plan.

As the tracking chart shows, those with high confidence have dropped to 54 per cent, while those having low confidence remain steady at 22 per cent.

Because fewer than 200 respondents were enrolled in this type of plan and asked about it, there are insufficient numbers to look at results among the various demographic segments. It does appear, however, that men are somewhat more optimistic about their plan's ability to provide a reasonable benefit, while women are much less confident that this will be the case, perhaps reflecting the already noted bias for women to be more risk averse than men in financial matters.

Summary and Implications

The assumption is that Canadians will plan to have retirement income from government pensions, private pensions and investments

The great majority of Canadians currently have, or previously had, personal investments, but one in five do not

- Many of the non-investors are young people, but notable minorities of pre-retirement boomers are also among the non-investor group

The average amount of investment savings is quite modest in terms of providing retirement income

- About a quarter of the 55 – 64 pre-retirement population has less than $50,000 in savings

Three-quarters of Canadians over 35 have an RRSP

- About four out of five in the 55 – 64 age group has an RRSP, which still leaves a healthy minority that don't

A majority of full-time employees are enrolled in private pension plans through their employer

- Defined contribution plans (especially among the younger age cohorts) are replacing defined benefit plans, which remain more prevalent among older employees

Confidence in defined benefit plans is much higher than in defined contribution plans