CPP Investment Board:
Tracking Public Confidence VI

FINAL REPORT

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TABLE OF CONTENTS

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 seventh public survey investigating confidence in the mandate of the CPP Investment Board — an initial benchmark survey conducted in March 2002, followed by six tracking surveys: in September 2002, March 2003, October 2003, April 2004, November 2004 and, the most recent, in the last two weeks of November 2005.

In addition to monitoring key benchmarks, confidence and reputation variables, the most recent tracking survey also contained a number of new questions related to:

- Investing patterns
- Perceptions of value of CPP assets
- Attitudes toward increasing the level of contribution
- Attitudes toward investing CPP assets outside of Canada
- Establishing measures of success for the Investment Board

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 24 and December 5, 2005.
- In total, 1,505 interviews were completed.
- Results are weighted by age, gender and region using the most recent census data.
- Results are valid within +/-2.3 percentage points, 19 times out of 20 (the margin of error increases for split samples).

Organization of the Report

This report contains five main chapters. It begins with an update of the Confidence and Reputation Index and is followed by an Executive Summary which highlights the key findings of the survey research.

The chapters are organized thematically beginning with an overview of Canadians' financial knowledge and the amount of resources they have set aside for their retirement. The next chapter is an assessment of Canadians' perceptions of the economy. Chapter three presents the findings of Canadians' involvement with the CPP, i.e., their awareness of and participation in the Plan. Chapter four discusses the CPP's financial policy and performance. The final chapter offers an analysis of the CPP Investment Board's reputation.

Reporting Conventions

There are a few key conventions adopted in this report that should be noted. The most important is the notation used for statistical significance. In all tables showing subgroup breaks for survey results, an asterisk (*) is placed beside numbers that have a statistically significant difference from the overall average. If there is no asterisk beside a number, it can be assumed that any difference it shows from the overall average is not statistically meaningful.

A second key notation, a star symbol (◆), is placed beside any sample number that is sufficiently small to warrant extreme caution in drawing conclusions from the frequencies presented for it. As a rule of thumb, this is applied to any subgroup results that have a sample number of fewer than 50 cases.

It should also be noted that there is often rounding up and down of percentages in the presentation of results. At times where a total for a column or bar would be expected to total 100 per cent, it may be off by 1 or 2 percentage points up or down. This is the result of rounding.

Major Tracking Indices

- Introduction to the Index
- Confidence Index
- Reputation Index

EKOS has developed two indices for the CPP Investment Board to track composite measures of various aspects of its reputation.

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 fourth 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.

Figure 1.1 — Confidence Index

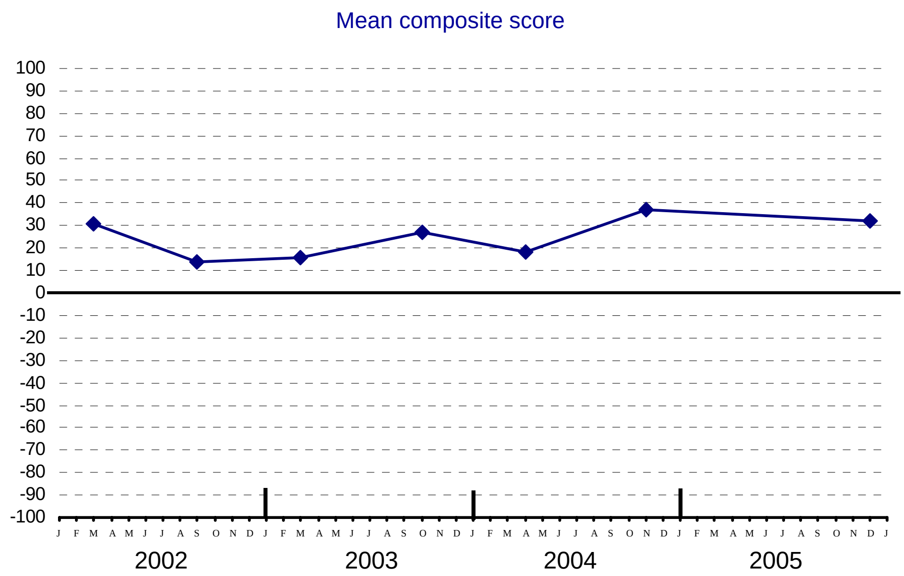
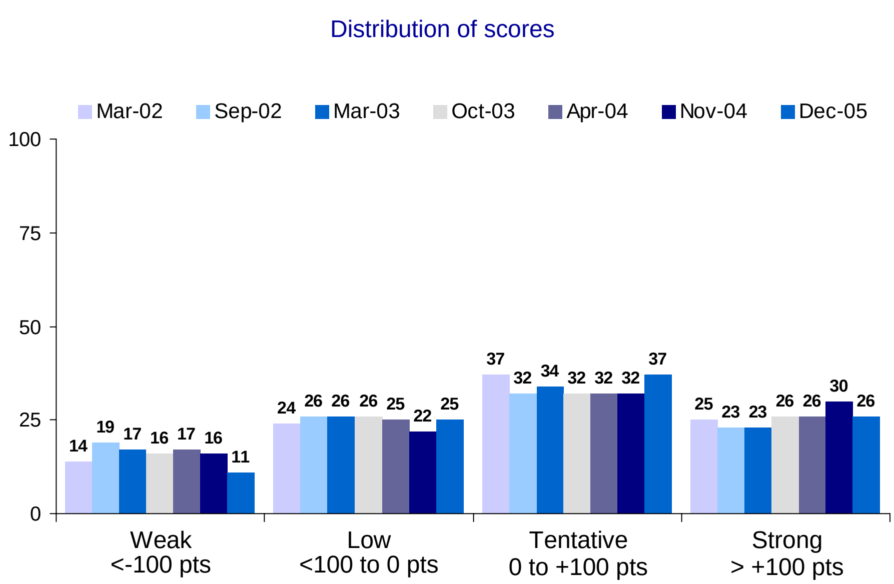


Figure 1.2 — Index Segments



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 seven 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.

As those troubles receded, the Index took another upward bounce in the previous measurement of December 2004. Reflecting the general downward trend in economic confidence, the Index score has fallen off slightly since last year. This measurement took place just prior to the fall of the federal government. There was plenty of uncertainty and continued focus on corruption and scandal leading up to this period.

It is worth pointing out that all these measurement points fall within a period of comparative prosperity in Canada. The public's overall mood remains generally 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.

Reflecting the general downward trend, we find a decrease in the strong confidence segment. As shown in Figure 1.2, many have drifted back into a more tentative position.

Figure 1.1 — Reputation Index

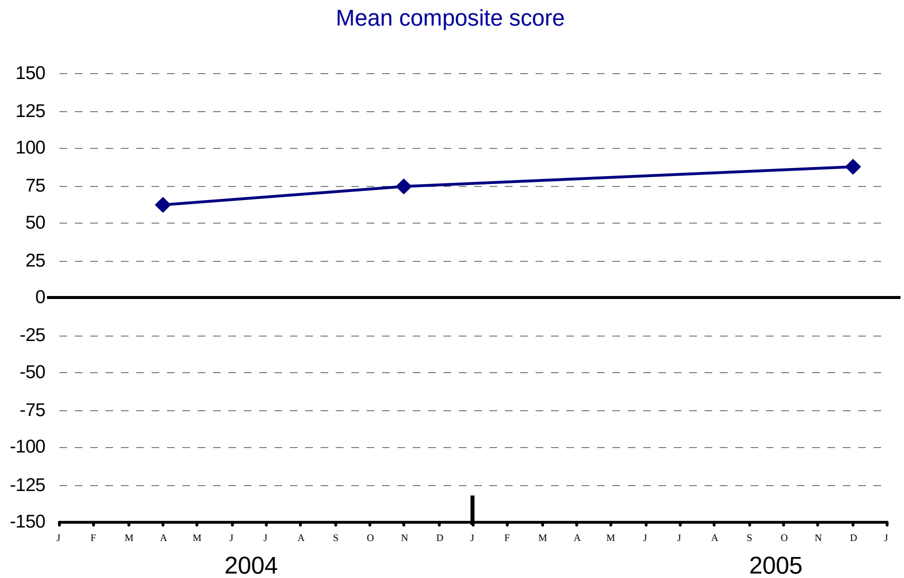
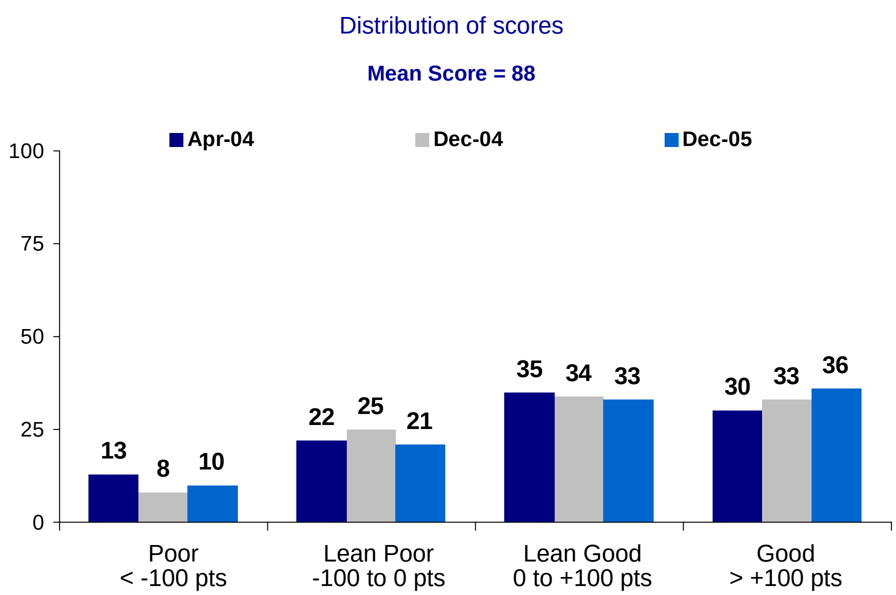


Figure 1.4 — Reputation Index



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
- Belief in the CPP Investment Board's activities
- Trust in CPP Investment Board's professionals
- Performance of investment activities

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 third iteration of the Reputation Index. As the chart on the opposite page shows, there is a strong favourable lean in the index, and this lean continues the trend of improving over time. In April 2004, the mean score on the index was 62, in December 2004 it increased to 75, and it now stands at 88 in the most recent measurement.

Given the increasing profile of the CPP Investment Board this is a strongly positive result. It is often difficult to get perspective up close with daily media reports and stakeholders voicing their concerns. This helps as a benchmark of the organization's management of these affairs. It is clearly moving in the right direction.

Detailed Findings

Executive Summary

Chapter 1: Canadians' Financial Knowledge and Resources

The Savvy, the group of Canadians who rate their own knowledge of investment finances as being good, represent a distinct and important segment of public opinion.

Self-assessing their knowledge of finances, a third of Canadians rate themselves good, a third average, and a third poor. Combined, these three groups make up the general public.

We refer to those whose knowledge is good as the Savvy. They are over-represented among men; among those with higher incomes, higher amounts of private investments, and higher levels of education; and among the self-employed. The term is a shorthand way of referring to these demographic skews.

This tracking report presents results for the general public but, where appropriate, it also reports on the opinion of the Savvy. While the CPP Investment Board must track the opinions of all Canadians, it also needs to know what those who know are thinking. The good news is that the Savvy are frequently more supportive of its activities than is the general public, but not always, and sometimes the Savvy have their own conventional wisdom on issues.

About one Canadian in five follows business and economic news closely, and pensions were a hot topic in 2005.

At opposite ends of the scale, 18 per cent of Canadians say they follow business and economic news very closely, and 19 per cent say they do not follow it at all. The business/economic news awareness of the majority of Canadians lies between these two extremes.

It is therefore of note that nearly half of Canadians say they recall seeing or hearing news about pension funds in the previous three months, making this a hot news topic.

A third of the Savvy follow business news closely and two-thirds recall a recent pension news story, reinforcing the currency of the topic.

About 80 per cent of Canadians are now, or have been, investors.

Experience with investing money is widespread in Canada. Investments include stocks, mutual funds, GICs or bonds. A third or more of Canadians, even the youngest and those with the lowest incomes, have some investments.

Experience with investments also appears to be directly related to financial knowledge – 87 per cent of the Savvy are investors.

From a retirement point of view, the total sum of these investments is in many cases rather modest, but total savings are slowly increasing.

Two-thirds of Canadians report investment savings of less than $100,000 – half less than $50,000 (real estate is not included). On average, though, reported savings are slowly increasing.

Age is a key factor. Those closest to retirement tend to have more money set aside, but not always large enough amounts to sustain them for many years.

One-half of seniors report having investments of less than $100,000, suggesting the importance of pensions to support everyday living.

The RRSP is a widely used retirement vehicle.

Two-thirds of Canadians – and three-quarters of those over 35 – report having an RRSP. Incidence is closely related to income as well as age.

Enrolment in a private pension plan through an employer is lower than previously recorded.

This year's tracking records a significant drop in reported enrolments in private pension plans, to 53 per cent of the full-time employed, a number lower than previously reported during the survey period. This trend needs to be watched closely.

Enrolment is highest among the middle aged and lower among the young.

Among those in a pension plan, the defined benefit plan is still the most prevalent form.

Just over half of pension plan members report being in a defined benefit plan and a third in a defined contribution plan.

The incidence of defined benefit plans is higher among the 45+ age groups. The incidence of defined contribution plans is higher among those under 45.

Not all plan members are confident that their own pension fund will be able to pay benefits.

Two-thirds (68 per cent) of those in a defined benefit plan have high confidence that their plan will pay benefits, a lower number than previously recorded.

Just over half (56 per cent) of those in a defined contribution plan have confidence in their own plan, about the same as in past trackings, all of which have been measured at times when the economy has been generally upbeat.

In sum…Canadians generally have experience with mostly modest-sized investments. They are very likely to have an RRSP, with half (though a declining number) also having a not-always-trusted company pension plan. A full third of Canadians rate themselves as being savvy about investment finances.

Chapter 2: Canadians' Economic and Financial Assessment

From an economic point of view, these are seen as being among the best of times in Canada.

Almost two-thirds of Canadians (61 per cent) rate the economy as being good, and this optimistic assessment extends fairly evenly across the country and demographic groupings. The Savvy are among the most optimistic.

Looking ahead to the next five to ten years, there is a slight downturn in expectations, though partly because people expect the good times to continue to roll, without necessarily getting better.

Women tend to be less optimistic in their assessment than men, and throughout the survey are more cautious about financial risk.

More than half believe that real estate prices could be heading for a fall.

The negative sentiment is strongest in Ontario.

There is less concern about a potential fall in stock prices.

Reflecting the views of the general public, about a third of the Savvy expect stocks to fall, a third don't and a third are neutral.

Two-thirds believe that the investor who stands firm through market ups and downs does better than the one who pulls out on a market drop.

Three-quarters of the Savvy are of this opinion.

The preferred vehicles for longer-term investments are real estate, stocks and bonds in that order, though the Savvy have a different view.

If Canadians had money that they didn't need for the next 15 years, about half would invest it in real estate, a third in stocks and a fifth in government bonds, though there are demographic and regional differences in preference.

Among the Savvy, stocks are the clear favourite for this type of longer-tern investment.

The bloom is slightly off the real estate rose since the last survey, but it is still the top investment choice in terms of expected high returns.

The numbers of people expecting high returns on all classes of investment have declined slightly since the last survey, but real estate remains the top choice with 67 per cent saying they expect it to deliver high returns, compared with 48 per cent who choose Canadian stocks.

Two-thirds of the Savvy select both stocks and real estate for high returns, and more than half also cite foreign stocks, well above the general public.

While expectations about investment returns have declined, perceived investment risks have increased, especially for real estate and corporate bonds.

Foreign stocks still have the highest risk profile among Canadians (including the Savvy), but the number associating real estate and corporate bonds as being high risk has increased significantly since the last survey.

The majority opinion is that a well-balanced retirement plan would include real estate, stocks and government bonds.

The Savvy put stocks as number one in a retirement plan, and they are also more likely to include government bonds.

Three-quarters of Canadians add that a well-balanced retirement plan would include investments both in Canada and in other parts of the world.

Up to 90 per cent of some groups support this proposition, including 84 per cent of the Savvy.

Overall confidence in the ability of investment professionals to obtain high returns in the stock market has slipped a little.

In recent trackings, confidence in investment professionals, a key component of the CPP Investment Board's mandate, had been steadily increasing. The latest measurement suggests it has slipped a little, perhaps reflecting scandals at the investment trough.

In sum… Canada is perceived to be enjoying healthy economic times – and even though growing numbers of Canadians think that real estate and, to a lesser extent, stocks, could be heading for a fall and have become more risky, these are still the preferred long-term investment vehicles for retirement saving.

Chapter 3: Involvement with the Canada Pension Plan

Almost all Canadians have heard of the Canada Pension Plan and most have contributed to it at one time or another.

Along with RRSPs and private pension plans, the CPP is the third leg of the retirement stool that Canadians expect to sit on in their old age.

Although still a minority, a growing number of Canadians are aware that the CPP has a large pool of assets available to pay future pensions.

More than half the Savvy are now aware of the existence of the pool.

Exact knowledge of the size of the pool is still sketchy, but perhaps that is less important than awareness of its existence.

In these good economic times, slightly fewer expect to rely heavily on the CPP for their retirement income, though half expect to be at least somewhat dependent on it.

Those closest to retirement are also those most likely to expect to be heavily dependent on the CPP.

For some unexplained reason, half still expect the CPP to be out of money by the time they retire.

The over-45s mostly realize that the CPP will be there for them, but the younger set still think it will be broke by the time they need it – leading perhaps to a negative buzz toward the scheme.

This misunderstanding needs to be corrected.

There are some possible grounds for increasing CPP contributions, but poor investment performance is not one of them.

An unexpected drop in population is viewed by a significant minority as being grounds for an increase in pension contributions, and some think a downturn in the economy might also make an increase defensible; but using CPP investment losses as a rationale for increasing contribution levels is not going to fly.

Some people, including a significant minority of the Savvy, (and similar number in Ontario where health plan contributions were just increased) are not prepared to consider any reason for hikes in contributions.

Confidence in the board model used at the CPP Investment Board continues to be widespread.

Two-thirds of all Canadians (and three-quarters of the Savvy) say they agree with the board and governance model employed by the CPP Investment Board and are confident it is best suited to ensuring the long-term health of the CPP.

On the other hand, fears about political influence in the investment workings of the CPP remain high.

The CPP Investment Board has gone to great lengths to ensure that political influence is kept out of its investment decisions. A high level of public suspicion about government suggests this will always be necessary.

In sum… the great majority of Canadians qualify for and will depend to some extent on a CPP pension. Even though awareness of its large pool of surplus funds is gradually seeping out, half still think the CPP will be out of money by the time they retire (though possible grounds for increasing contributions are restricted). And though Canadians trust the board governance model, they continue to worry about possible political interference in investment practice.

Chapter 4: Evaluating CPP Financial Performance

More than a third of Canadians still believe the health of the CPP is moving in the wrong direction.

The clear age divide in attitudes toward the CPP is again evident in this indicator, with older people believing the CPP is on track and younger people thinking it is going over a cliff.

There is also a regional skew, with Atlantic Canada being most positive toward the CPP and Alberta the least.

At 50 per cent, support for investment of CPP assets to increase returns remains strong but is down a little since the last reading.

Nearly two-thirds of the Savvy support this investment policy.

There is widespread support for the direction being taken to diversify the investment portfolio of CPP assets to include real estate, stocks, private companies and government bonds.

Three-quarters of Canadians (and even more of the Savvy) are comfortable with this direction.

The number who support stock investments as long as the other assets are invested in government bonds has declined a little, perhaps because of greater support for the new, more comprehensive portfolio model.

There is wide agreement that the CPP should follow the customary practice of other pension funds by investing two-thirds of its assets in stocks, though some Canadians would like the stock allocation to be a little less.

Two-thirds of Canadians think it would be appropriate for the CPP to match other pension plans in the portion of assets invested in stocks, though 21 per cent think it should be somewhat less.

More people now accept that if CPP assets are invested in stocks, long-term gains will more than compensate for short term-losses.

More than half of Canadians (and two-thirds of the Savvy) accept this concept – the highest level reported to date.

Worries that stock losses might result in the CPP's being unable to pay benefits still concerns 4 in 10.

This is one of the indicators where women's caution is most evident.

Annual swings (i.e., losses) in the value of CPP assets of 10 per cent – or $9 billion – would be a trigger point for concern.

Tolerance for swings in the value of CPP assets is surprisingly broad, with a third being prepared for annual swings of even greater than 10 per cent before they would become concerned.

In general, losses described in percentage terms are a little more acceptable than those described in dollars.

A strong minority reject the notion that losses for more than a three-month period would suggest that the CPP is in a lot of trouble.

More than half the Savvy reject this provocative notion outright.

Any downturn in the Canadian economy is not expected to have a huge impact on the value of CPP assets.

The most anticipated outcome of a downturn is that the value would decrease somewhat (53 per cent); 17 per cent don't anticipate any impact at all.

Canadians are split on whether outside-Canada assets increase or decrease the risk for the CPP – the balance view is that the risk stays about the same.

Among Canadians at large there is a slight lean toward the view that foreign assets increase the risk for the CPP – 33 per cent say the risk increases, 22 per cent say it decreases and 40 per cent say it stays the same. The Savvy lean toward these assets decreasing or having little impact on the risk.

Overall, the investment of CPP assets outside Canada boosts confidence in the CPP.

About a quarter of Canadians say that knowing that CPP assets are being invested outside Canada decreases their confidence in the Plan, but almost twice as many say their confidence in the Plan is increased. The usual men (optimist) vs. women (pessimist) split is evident in this score. More than a half of the Savvy approve.

Four key arguments presented make a case for investing a portion of CPP assets outside Canada:

Three-quarters like the idea of foreign investment income coming back to support Canadian pensions.

There is strong agreement that investment of CPP assets outside Canada improves portfolio diversification.

» More Savvy (81 per cent) agree with this pro-foreign investment proposition than with any of the others.

Two-thirds agree that foreign assets reduce the CPP's dependence on the Canadian economy.

» About three-quarters of the Savvy agree with this.

Two-thirds want at least half of the CPP's assets invested in Canada.

» The cautious tone of this proposition results in more women than men agreeing with it. Of the four propositions about foreign investment of CPP assets, the Savvy agree with this one the least.

In sum… when it comes to financial artistry, Canadians may lack fine sophistication, but on the other hand, they have a pretty good idea of what's good and bad for them.

Chapter 5: Reputation of the CPP Investment Board

The CPP Investment Board is not yet a household name.

Without prompting, just 9 per cent of Canadians are definitely aware of the CPP Investment Board (CPPIB), and another 8 per cent are vaguely aware of it, numbers that record only a slight increase in awareness over the survey period.

With some prompting, though, awareness of the CPPIB has increased.

About a third of Canadians are now aware, however vaguely, of the CPPIB.

As a potential target group for CPPIB communications, almost half the Savvy are now aware of it.

Of those who are aware of the CPPIB, about a quarter can recall media reports about it in the previous six months

Definite recall is made by 11 per cent, with another 14 per cent vaguely recalling a media report.

Recall of positive reports about the CPPIB still outnumbers negative reports by a good margin.

Given that media reports tend to focus on the negative, it is encouraging that recollection of the spin on the most recent media report is generally favourable; 39 per cent say that the last report they heard about the CPPIB was positive, while 25 per cent recall that it was negative. These numbers are in line with previous trackings.

The overall impression of the CPPIB remains overwhelmingly positive.

Among the Savvy, 59 per cent have a positive perception, and only 10 per cent a negative one.

The balance of opinion on the CPPIB's investment performance is favourable.

The rating of the CPPIB's investment performance has bounced back from a slight drop last year and the positives outweigh the negatives by more than 3 to 1.

Trust in CPPIB investment professionals to do what's best continues to increase.

More than half (54 per cent) of Canadians (and 64 per cent of the Savvy) say they have high trust that the professionals are doing what's best for the long-term health of the CPP – the highest level recorded to date.

Half now say they really believe in what the CPPIB is doing.

Half (50 per cent) of those who are aware of the CPPIB (including 61 per cent of the Savvy) now say that they really believe in what it is doing. Only 12 per cent of the general public and 10 per cent of the Savvy disagree.

The yardstick most frequently selected to measure the CPPIB's success is for it to follow its mandate and meet the investment returns needed to sustain the CPP over the long term.

Keeping up with the Joneses and beating the economy are secondary measures.

In sum… all measurements of the CPPIB's reputation, including public recall of related media coverage, are positive. Among those who are aware of the CCPIB, confidence and trust in its performance and mandate continue to increase.

Chapter 1
Canadians' Financial Knowledge and Resources

Age is an important factor in how well prepared Canadians are for retirement. The closer they are to retiring, the better informed and better prepared they typically are, though not always. Typically, younger Canadians still have many other financial responsibilities, and preparing for retirement may not yet be high on their list of things to do or worry about.

Communication from the Canada Pension Plan to its members makes it clear that they should treat their CPP pension as only one source of retirement income, and encourages them to make sure they have other income from private pensions, RRSPs or savings. If many people fail to plan well, there could be growing pressure in the future for the CPP pension to bear more of the income load. It is therefore important to know the national state of readiness.

This chapter reviews a number of indicators relating to Canadians' knowledge about financial matters and the current state of the resources they have set aside for the future.

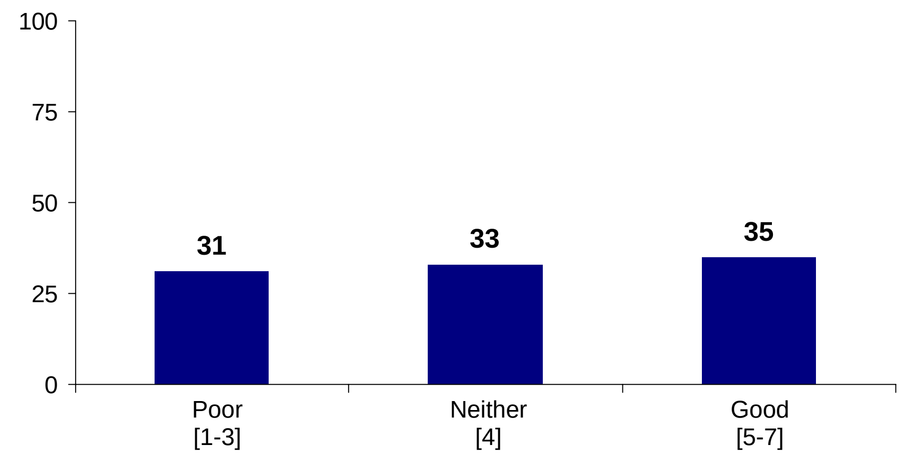
The indicators included in this chapter are:

- Knowledge of investment finances
- Interest in business and economic news
- Recall of news about pension funds
- Incidence of investment ownership
- Amount of personal investments
- Incidence of RRSP ownership
- Incidence of private pension plans
- Type of pension plan
- Confidence in defined benefit plans

This chapter also identifies a key group of people – the Savvy – who are highlighted throughout the rest of the report. These people know more about financial matters than most Canadians and form a natural constituency that the CPP Investment Board needs to keep on-side through its communication programs. The Savvy tend to be over-represented in particular segments of the population including those with higher education, income and investments, and they include more men and the self-employed – all segments that tend to be better informed about financial matters. In this report, we often use the Savvy as a shorthand way of reflecting the opinions of these influential demographic groups.

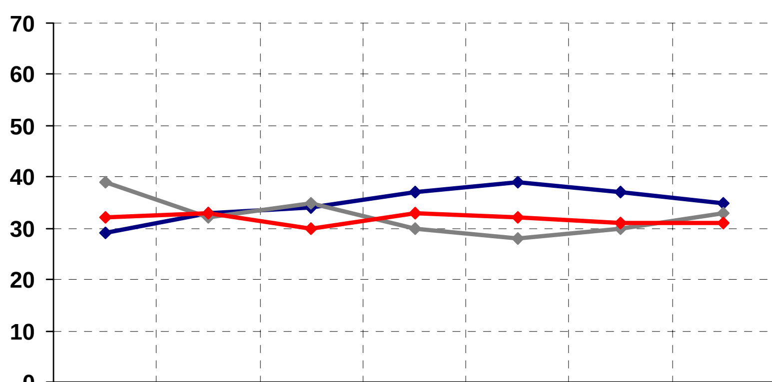
Figure 1.1 — Knowledge of Investment Finances

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



{Base: all; percentages; n=1505}

Figure 1.1a — 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	Nov-05 mean=3.89
Good (5-7)	29	33	34	37	39	37	35
Average (4)	39	32	35	30	28	30	33
Poor (1-3)	32	33	30	33	32	31	31

{Base: all; percentages}

A third of Canadians rate their own knowledge of investment finances as being good, and this segment – the Savvy – is a key target for the CPP Investment Board.

When asked to rate their own knowledge of investment finances, 35 per cent rate themselves as being good; a third rate themselves as being average; and the remaining third rate their knowledge as poor.

The rating is a self-assessment, and not based on any factual test, but it is a useful indicator of interest in finance as well as of self-confidence in financial judgment. Analysis of opinion from this group confirms that they are much better informed about financial matters than are Canadians in general.

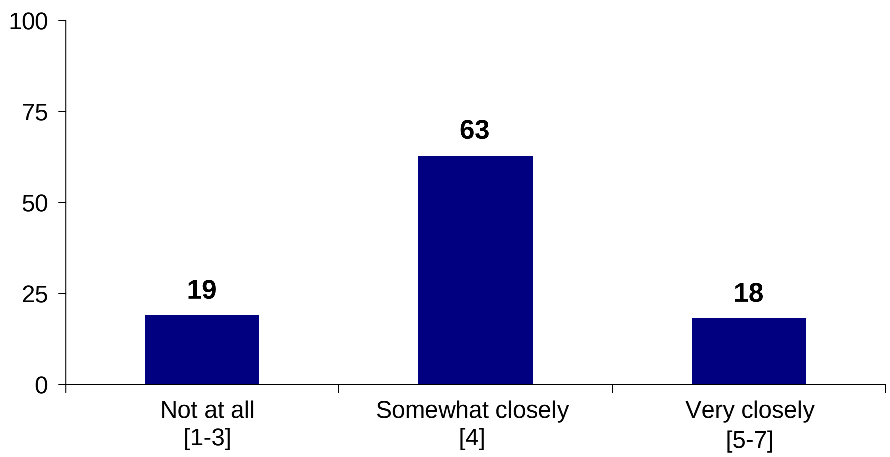
This latest measurement of the percentage self-rating their financial knowledge as good is slightly below levels recorded in the previous two trackings, but the overall trend since the benchmark survey in March 2002 is clearly up. (At the same time, those rating their knowledge as poor has not decreased.)

As noted in previous reports, there are definite demographic skews in high self-assessed knowledge of investment finances. More men than women (44 per cent vs. 25 per cent) rate their own investment knowledge highly. Those with higher incomes (52 per cent), higher amounts of private investments (62 per cent), higher levels of education (45 per cent), and those who are self-employed (43 per cent) are all more likely to give themselves a good rating.

People who are knowledgeable about finances represent a key marker group for the CPP Investment Board (CCPIB), and throughout this report we label them as the "Savvy," as a shorthand reference. This is the group most likely to catch media reports about the CPPIB and its performance, and to understand references to its activities. We could also assume that this segment is most likely to influence the opinions of others on financial matters.

Figure 1.2 — Interest in Business and Economic News

Q: How closely do you follow news about business and economic issues. Would you say you follow these issues very closely, somewhat closely or not at all?



{Base: all; percentages; n=1505}

TABLE 1.1: INTEREST IN BUSINESS AND ECONOMIC NEWS

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Closely (5-7)	10*	11*	17	18	23*	30*
Somewhat (4)	54*	64	65	66	68	63
Not at all (1-3)	36*	25*	18	15	9*	7*

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Closely (5-7)	26*	10*	15	20	14	20*	16
Somewhat (4)	60*	66*	69*	63	64	60*	67
Not at all (1-3)	13*	24*	17	17	21	20	18

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Closely (5-7)	16*	14*	13*	15*	15*	33*
Somewhat (4)	60	65	66*	69*	67	54*
Not at all (1-3)	24*	21*	21	16	18	12*

About one Canadian in five follows business and economic news very closely, but about the same number do not follow it at all.

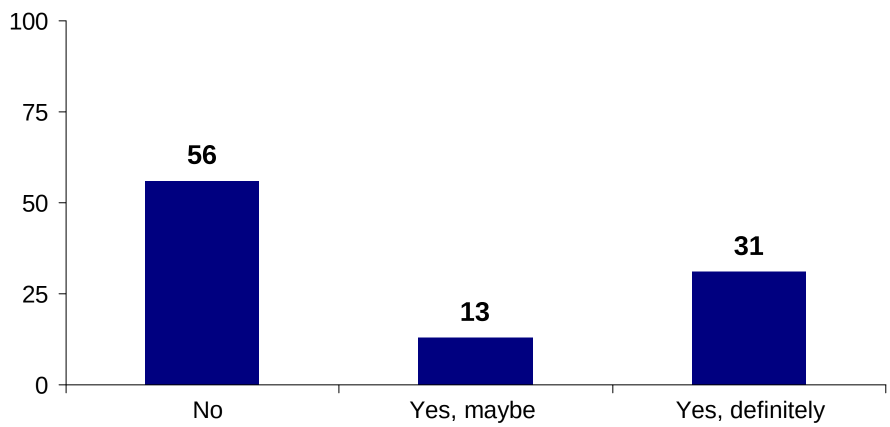
A new indicator in this survey asked Canadians how closely they follow news about business and economic issues. At one end, 18 per cent describe themselves as following such news very closely; at the other end, 19 per cent say they don't follow it at all, leaving approximately two-thirds (63 per cent) who say they follow these issues somewhat closely.

As might be expected, there are very strong skews in response to this question among different demographic groups. News about business and economic affairs is followed by significantly more men, boomers, seniors, the university-educated, the self-employed and the retired, who as a group represent those with the highest levels of income and the largest investments.

Among the Savvy, 32 per cent say they follow the news about business and economic issues very closely, and almost all the rest of this group say they follow it somewhat closely, confirming their importance as a key target for CPPIB communications.

Figure 1.3 — Recall of News About Pension Funds

Q: In the past three months, have you seen or heard anything in the news about pension funds?



{Base: all; percentages; n=1505}

Nearly half of Canadians – and two-thirds of the Savvy – recall seeing or hearing news items about pension funds in the previous three months.

Pensions were a hot topic in 2005. A news item about pension funds caught the attention of just under half of Canadians in the previous three months – 31 per cent definitely recall such an item, and another 13 per cent think they may have seen or heard something.

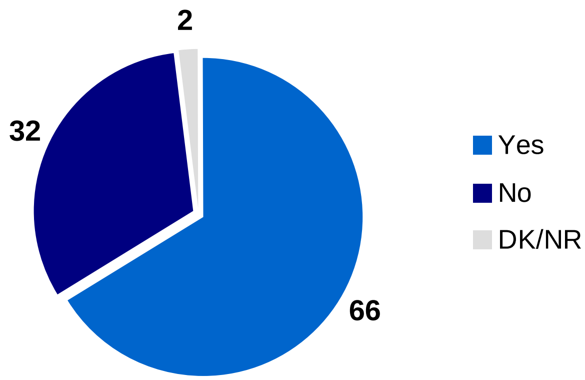
Among the Savvy, nearly two-thirds recall an item about pensions in the previous three months; 49 per cent of the group definitely recall such an item.

Recall reflects the usual pattern of skews among demographic groups, as shown in the table on the opposite page.

In addition to these skews, it is also worth noting a significantly higher incidence of recall about pension items in Ontario, and a lower level of recall in Alberta.

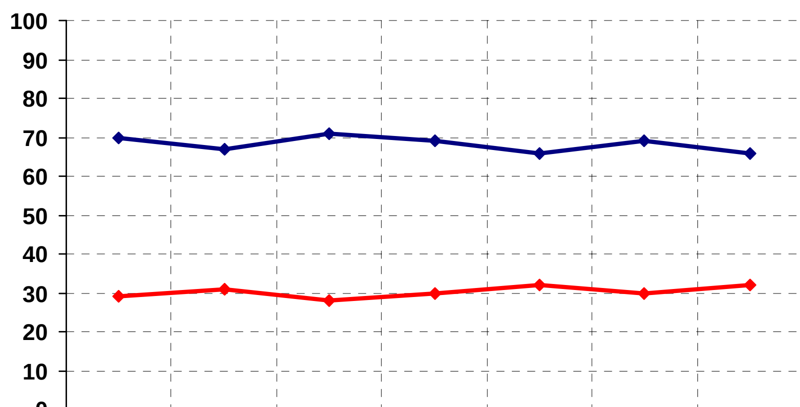
Figure 1.4 — Incidence of Investment Ownership

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=1505}

Figure 1.4a — Tracking Incidence of Investment Ownership



	Mar-02 (n=2258)	Sept-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=1406)	Apr-04 (n=2001)	Nov-04 (n=2007)	Nov-05 (n=1505)
Yes	70	67	71	69	66	69	66
No	29	31	28	30	32	30	32

{Base: all; percentages}

About four Canadians in five now have, or have had, investments.

When asked if they personally have any investments in stocks, mutual funds, GICs or bonds, including any they might have in an RRSP, two-thirds of Canadians say they have such investments. As shown in the tracking chart, this figure is fairly stable.

Of those who don't currently have these investments (heavily skewed toward older age groups), a third say that they have had them in the past, taking the total of Canadians who can be classified as "investors" (current or past) to 78 per cent.

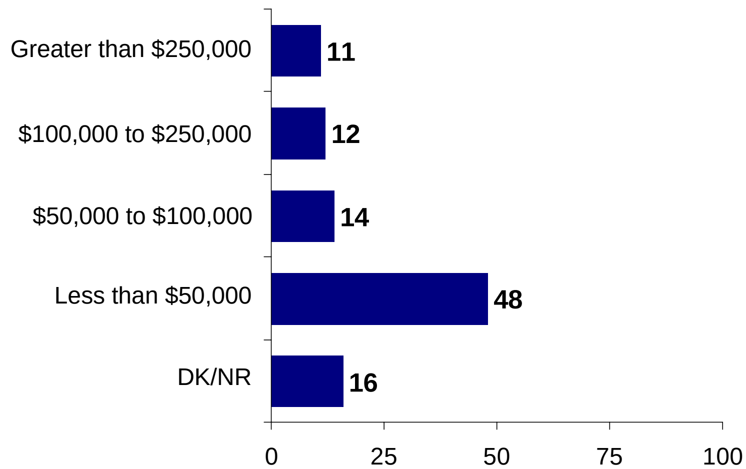
There are, of course, the usual skews in the ownership of investments, by gender, age, education, and particularly by income. For instance, 88 per cent of people reporting income of more than $100 K say they have these investments, compared with just 33 per cent of those with incomes of less than $20 K.

Nevertheless, being an investor is a fairly widespread activity in Canada. A third or more of all demographic groups have such investments, even among the youngest and those with the lowest income, and this rises to three-quarters or higher among the middle aged, the highly educated and the self-employed.

Experience of handling investments also appears to be directly related to financial knowledge – 87 per cent of the Savvy report having investments, a significantly higher proportion than is seen among those with less financial knowledge (47 per cent).

Figure 1.5 — Amount of Personal Investments

Q: Is the total amount of investments you currently have in savings and other investments, excluding any real estate…



{Base: investors; percentages, n=1237}

The amount most people have set aside for a rainy day is quite modest but savings are slowly increasing.

As reported on the previous page, about two-thirds of Canadians say they currently have some kind of investments. However, about half these people report that the total amount of their investments is less than $50,000 (excluding any investment they might have in real estate)[1].

As the tracking chart shows, there has been some modest appreciation in the size of these investments since the start of the tracking period – the number reporting investments in excess of $250 K is the highest recorded, and the number reporting savings of less than $100 K is the lowest recorded.

As might be expected from previous surveys, the size of savings is very strongly related to both age and income. For example, 89 per cent of investors under 25 report total savings of less than $50,000, whereas 40 per cent of those aged 55 to 64 (the pre-retirement group) have more than $100,000 invested. For 22 per cent of this latter age group, investments exceed $250,000.

Of particular interest, almost half the seniors report having investments of less than $100,000, suggesting the importance of pensions to support everyday living; and the figures are only slightly better for the boomer cohort who are quickly approaching retirement.

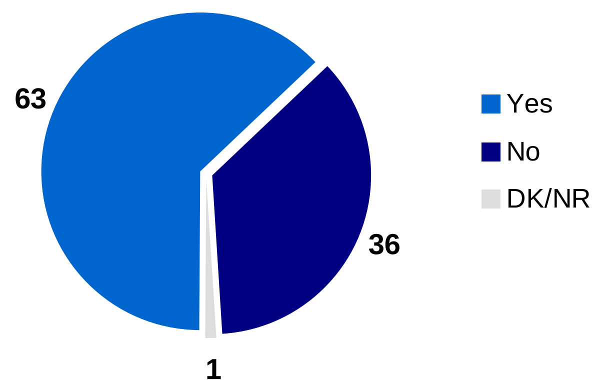
The public pressure that has now ended mandatory retirement in most Canadian jurisdictions might be expected to result in older people continuing to work after normal retirement age, at least in some form of part-time employment, to supplement these savings amounts that at current interest rates will result in rather modest incomes.

[1] **Research Note:** Willingness to disclose the size of investments is strongly related to particular demographic characteristics. Women are twice as likely as men (20 per cent vs. 11 per cent) to refuse to disclose the amount of their investments. At 24 per cent refusal, seniors are the demographic group least likely to disclose their savings. In general, the willingness to report the amount is directly related to age.

It is also interesting to note that if people are willing to disclose their income, they are also prepared to disclose the size of their investments. Few of those who reported their income, even those with very high incomes, were then unprepared to disclose the size of their investments.

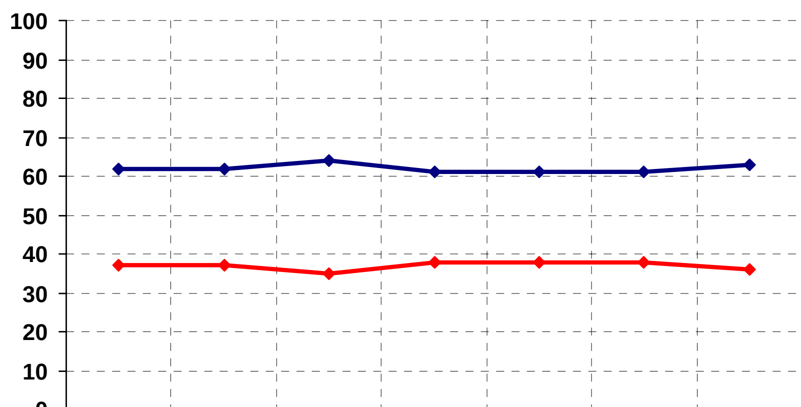
Figure 1.6 — Incidence of RRSP Ownership

Q: Do you have an RRSP?



{Base: all; percentages, n=1505}

Figure 1.6a — Tracking Incidence of RRSP Ownership



	Mar-02 (n=2258)	Sept-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=1406)	Apr-04 (n=2001)	Nov-04 (n=2007)	Nov-05 (n=1505)
Yes	62	62	64	61	61	61	63
No	37	37	35	38	38	38	36

{Base: all; percentages}

Two-thirds of Canadians – and three-quarters of those over 35 – report having an RRSP.

As one of the well-promoted ways to prepare for retirement, RRSPs are widely held, with 63 per cent of the population reporting that they have one[2].

As the tracking chart shows, the popularity of this type of retirement account is very stable:

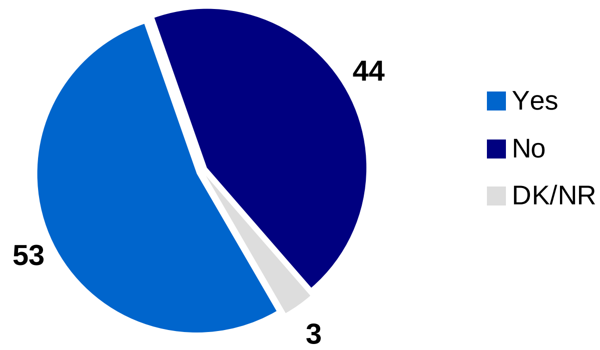
- The highest incidence of ownership is among Canadians aged 35 and up (all age groups), about three-quarters of whom report having RRSPs, and also among those with higher incomes – 86 per cent of those with incomes above $100 K report having this type of saving.
- The only demographic groups where fewer than half have RRSPs are the under-25s and those with incomes below $20,000.

As further evidence of the connection between investment experience and financial knowledge, 80 per cent of the Savvy report having an RRSP.

[2] **Research Note:** People were not asked for the amount they have in their RRSPs, as this amount was included in their total reported savings and investments.

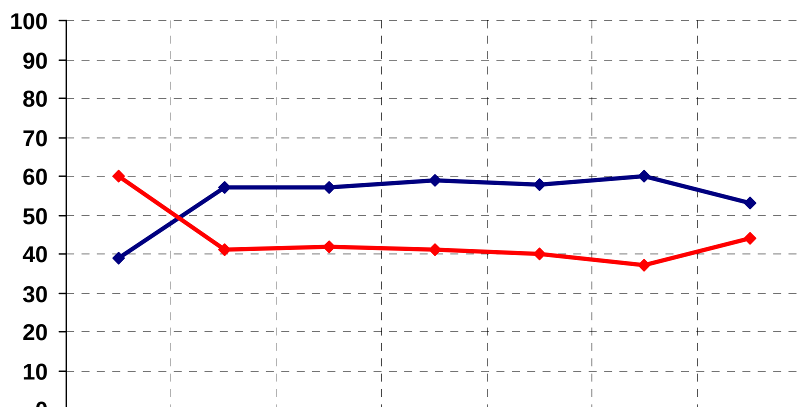
Figure 1.7 — Incidence of Private Pension Plans

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



{Base: employed full-time or on maternity/paternity leave; percentages, n=760}

Figure 1.7a — Tracking Incidence of Private Pension Plans



	Mar-02 (n=2258)	Sept-02 (n=591)	Mar-03 (n=614)	Oct-03 (n=591)	Apr-04 (n=809)	Nov-04 (n=864)	Nov-05 (n=760)
Yes	39	57	57	59	58	60	53
No	60	41	42	41	40	37	44

{Base: all; percentages}

Enrolment in private pension plans by full-time employees is lower than previously recorded.

Canadians who are employed full-time (or on maternity/paternity leave from a full-time job) were asked whether they are currently a member of a private pension plan through their employer. Just over half – 53 per cent – say they are a member of such a plan.

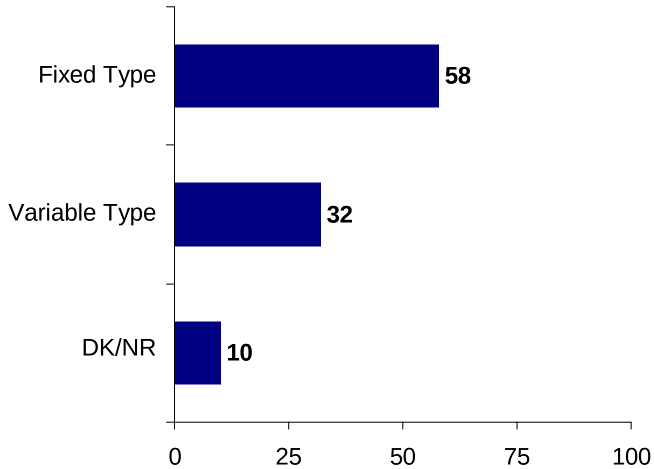
As the tracking chart shows, this is the lowest reported membership in employer pension plans during the survey period. While this may be a statistical aberration, it points to a trend that should be watched closely as media reports have focussed on increasing economic pressure on employers to drop their plans. Recently, there have also been a number of high-profile confrontations between unions and public and private sector employers over pension plans.

Enrolment in a plan is highest among those between the ages of 35 and 54 and is sharply lower among those under 25 and those making less than $20,000. Some of the publicly reported confrontations have centred on schemes to grandfather pension plans for older employees but to cut back or eliminate them for new recruits.

This trend bears watching closely as it could eventually result in increased demands on public pension plans.

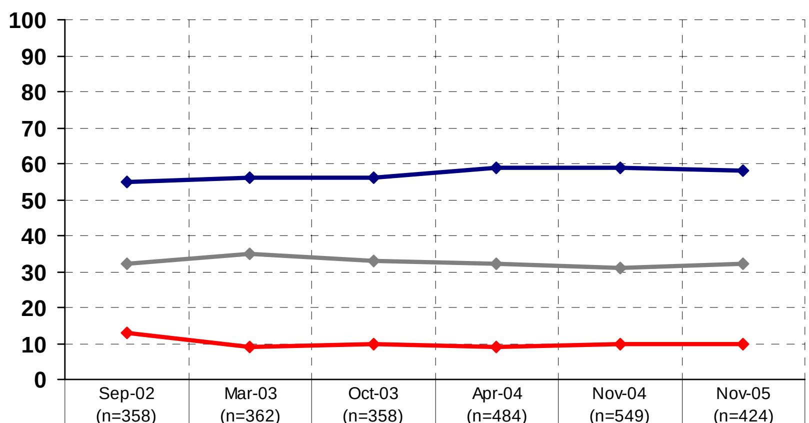
Figure 1.8 — Type of Pension Plan

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



{Base: private pension holders; percentages. n=424}

Figure 1.8a — Tracking Type of Pension Plan



	Sep-02 (n=358)	Mar-03 (n=362)	Oct-03 (n=358)	Apr-04 (n=484)	Nov-04 (n=549)	Nov-05 (n=424)
Fixed Type	55	56	56	59	59	58
Variable Type	32	35	33	32	31	32
DK/NR	13	9	10	9	10	10

{Base: percentages}

The defined benefit plan is still more prevalent than the defined contribution plan.

As noted on the previous page, reported enrolments in private pension plans are lower than in earlier surveys. However, full-time employees who did identify themselves as members in an employer's pension plan were then asked to specify what kind of plan it is: whether it is one that guarantees a fixed amount of benefit when they retire (i.e., defined benefit), or one where the amount of benefits will vary depending on how well the pension fund investments perform (i.e., defined contribution).

In the latest survey, 58 per cent of full-time employees who are enrolled in a plan reported that it is a defined benefit plan[3]. This is consistent with the reported incidence of these plans in previous trackings, though is higher than the incidence in the most recent survey last year.

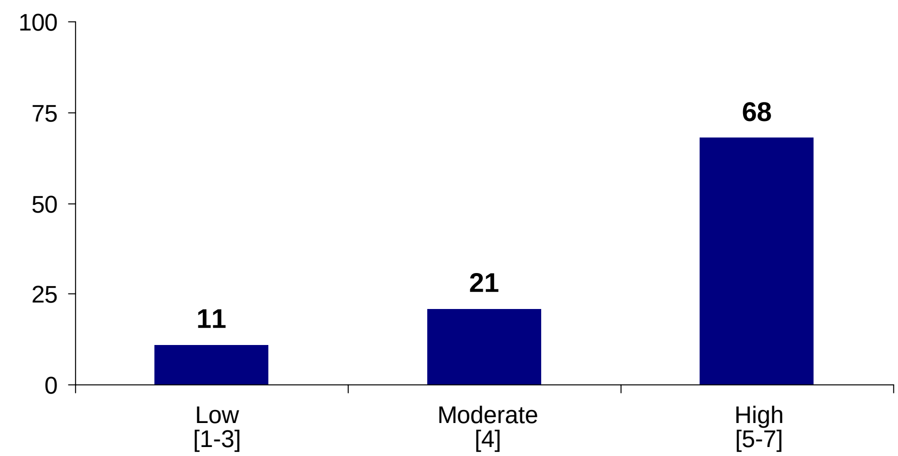
The incidence of defined contribution plans, at 32 per cent, is just slightly more than half the incidence of defined benefit plans, again consistent with earlier surveys, though a little lower than at the latest reading, which may indicate a statistical spike in last year's numbers.

As noted in previous reports, the incidence of defined benefit plans is higher among the 45+ age groups, while the incidence of defined contribution plans is higher among those under 45.

[3] Research Note: Because these data are collected only from a subgroup of the population, i.e., those who are employed full-time and who also have a pension plan, the margin of statistical variation is wider than for the population as a whole. Some apparent volatility in the readings is well within the margin of error of the subsample. However, we follow these numbers closely as any switch to defined contribution plans could result over the longer term in increased pressure to improve public pensions, especially at a time when investment returns are low.

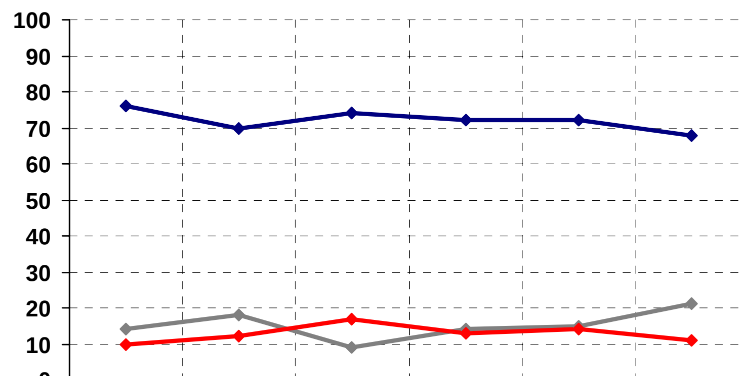
Figure 1.9 — Confidence in Defined Benefit Plans

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=251}

Figure 1.9a — Tracking Confidence in Defined Benefit Plans



	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	Nov-05 mean=5.41
High confidence (5-7)	76	70	74	72	72	68
Moderate (4)	14	18	9	14	15	21
Low confidence (1-3)	10	12	17	13	14	11

{Base: percentages}

There has been a slow but steady erosion in Canadians' confidence that their defined benefit plans will be able to pay their benefits when they retire.

When first measured in September 2002, 76 per cent of Canadians enrolled in defined benefit pension plans said that they had high confidence that their own pension fund will be able to pay their benefits when they retire.

In November 2005, that number has declined to 68 per cent, not a huge drop, but a significant one nonetheless.

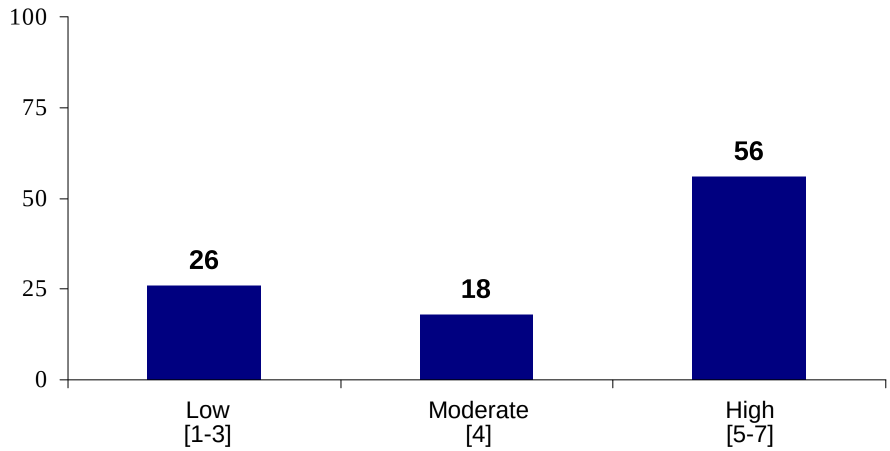
Because these data are based on a sub-sample of the total population – people in full-time employment who have an employer-based pension plan – statistically significant variations in the results are wider than in results for the population as a whole. However, we need to watch this number carefully.

Because of the quite small sample size in some demographic segments we don't want to draw hard conclusions, other than to note, as in the past, that older people and those in higher income brackets tend to have more confidence in their eventual pay-out than do those at the other end of the scales.

It is also worth noting that 75 per cent of the Savvy who are enrolled in a defined benefit plan are confident that they will receive their benefits.

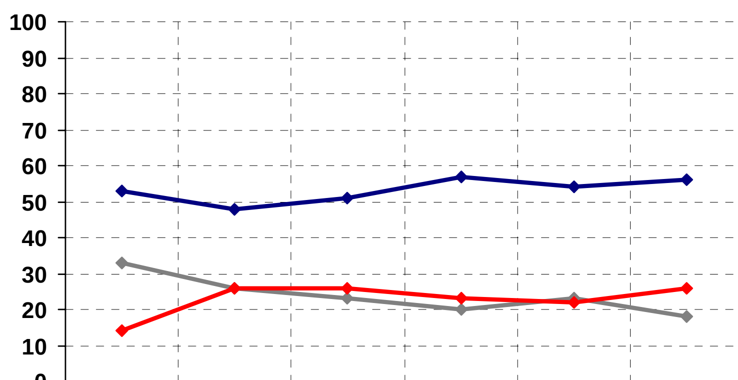
Figure 1.10 — Confidence in Defined Contribution Plans

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=131}

Figure 1.10a — Tracking Confidence in Defined Contribution Plans



	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	Nov-05 mean=4.54
High confidence (5-7)	53	48	51	57	54	56
Moderate (4)	33	26	23	20	23	18
Low confidence (1-3)	14	26	26	23	22	26

{Base: percentages}

Confidence in defined contribution plans is lower than in defined benefit plans, though at levels consistent with previous surveys.

Despite the slight decline in confidence in defined benefit plans reported on the previous page, overall confidence in defined contribution plans remains a little lower yet. Of the full-time employees who have a defined contribution plan through their employer, 56 per cent say they have high confidence that it will be able to pay them a reasonable amount of benefits when they retire, compared with 26 per cent who have low confidence in their plan.

The tracking chart shows that confidence in defined contribution plans remains fairly steady through the survey period, though it is worth noting that this period has been one of generally good investment performance in Canada.

The small numbers enrolled in these plans provide insufficient data to draw reliable conclusions from apparent patterns of response among different demographic groups. However, as in the past, men appear to have more confidence in their pension plan, either defined benefit or defined contribution, than do women, and this is another indication of women's generally more cautious approach to financial risk.

Although only a fairly small subgroup, it is worth noting that 68 per cent of the Savvy who have a defined contribution plan are confident that it will be able to pay benefits – a significantly higher percentage than we see among defined contribution plan members as a whole.

Chapter 2
Canadians' Economic and Financial Assessment

The Canadian economy has been on a roll for the past several years during which time employment has increased and the Canadian dollar has strengthened back to levels last seen in the early 1990s. The incredible resources boom has been particularly good to Western Canada, linked as it is to emerging powerhouses in Asia as well as to a bustling North America.

Tracking of public opinions about the economy indicates that these are optimistic times – reflected, perhaps, in Canadians' assessment of market returns and risks, as well as in their approach to theories of investing and retirement planning.

There are some clouds on the horizon, and several indicators show small bumps related to future worries. For the most part, these are still minor. However, there are segments of the population who are innately more cautious than others. Naturally, people with lower income express less willingness to take risk, and seniors also tend to be careful.

It is also evident that on average, women tend to be (or at least appear to be) more cautious than men in financial matters. In simple terms, they have more worries about stock risks, more comfort with bonds. Women and men may not be from different financial planets, but women seem to be less willing to roll the dice or to believe theories about dice rolling.

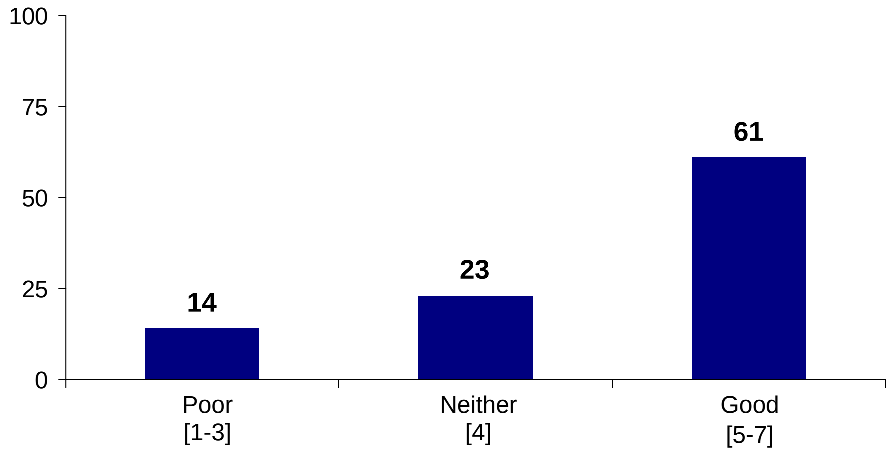
All these differences in approach and beliefs need to be taken into account when anticipating Canadians' reaction to the CPP Investment Board's financial results.

The indicators included in this chapter are:

- Assessment of current health of the economy
- Future health of the economy
- Expected trends in real estate and stock prices
- Investing for the long run
- Primary vehicles for long-term investments
- Perceived returns on investment types
- Perceived risk with investment types
- Components of a balanced retirement plan
- Foreign component in a retirement plan
- Confidence in investment professionals

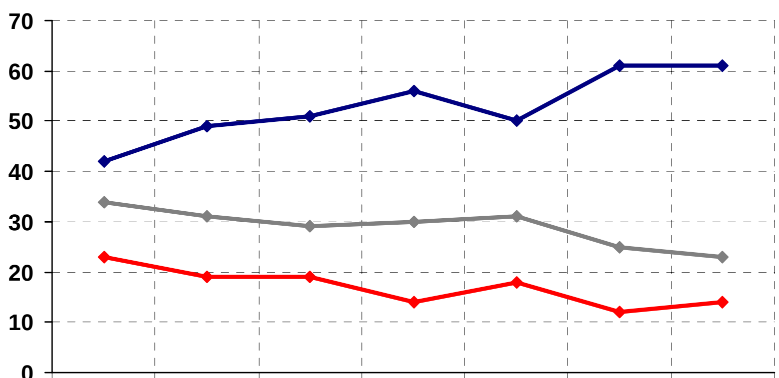
Figure 2.1 — Assessment of Current Health of the Economy

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=1505} {DK/NR= 2%}

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	Nov-05 mean=4.70
Good (5-7)	42	49	51	56	50	61	61
Neither (4)	34	31	29	30	31	25	23
Poor (1-3)	23	19	19	14	18	12	14

{Base: all; percentages}

Canadians' rating of the overall health of the economy continues to be strongly positive.

A strong majority of Canadians express confidence in the health of the nation's economy. The high level of confidence that was noted last year, an all-time high during the survey period, was matched again this year, with 61 per cent rating the overall health of the economy as being good. Just 14 per cent rate it as being poor.

Interestingly, this year's rating is now quite consistent across the regions, whereas in the past we have noted considerable regional variation. The Atlantic Provinces is the only region where the rating is still a little below the national average; yet even here, people are no more likely to rate the current state of the economy as poor than are people in the other regions.

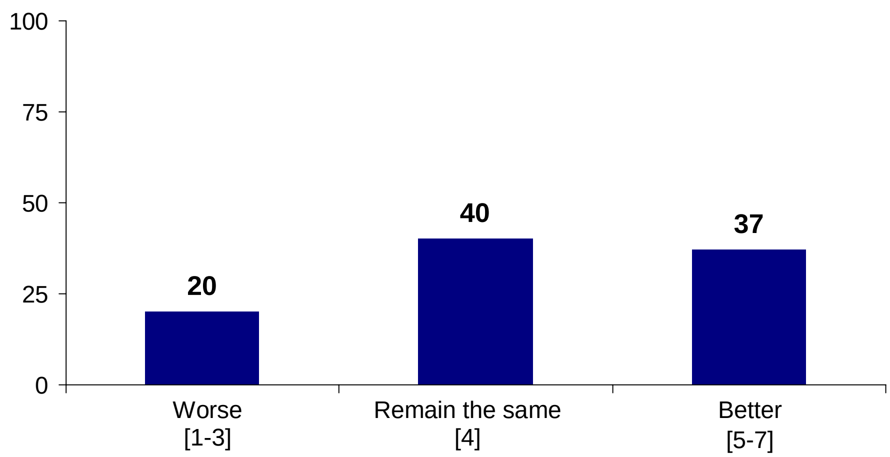
Across the demographic subgroups there are still significant skews, as noted in previous years:

- 69 per cent of men rate the economy as being good, compared with 53 per cent of women; 17 per cent of women actually rate it as being poor.
- Nearly three in four of the university-educated and of high-income earners give the economy a good rating.
- As noted in last year's report, there is now little difference in the ratings by people in different age groups. In earlier surveys, seniors had been noted as being less generous in their rating, but last year as well as this, seniors show equal confidence in the economy.

It is also interesting to note that 76 per cent of our marker group, the Savvy, rate the Canadian economy as being good. This undoubtedly colours their response to many other aspects of financial affairs.

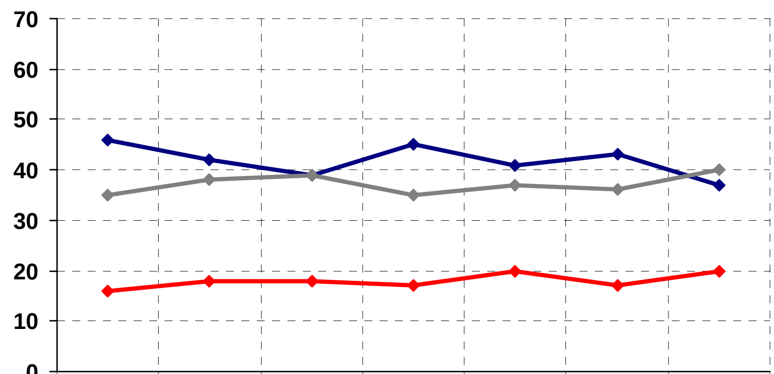
Figure 2.2 — Future Health of the Economy

Q: What do you think will be the general trend in the overall health of the Canadian economy over the next 5 to 10 years?



{Base: all; percentages; n=1505} {DK/NR= 3%}

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	Nov-05 mean=4.26
Better (5-7)	46	42	39	45	41	43	37
Same (4)	35	38	39	35	37	36	40
Worse (1-3)	16	18	18	17	20	17	20

{Base: all; percentages}

Future Health of the Economy

Looking ahead, there is a slight downturn in the number of Canadians who expect the economy to be better, especially in Ontario.

When asked what they think will be the general trends in the overall health of the Canadian economy in the next five to ten years, 37 per cent expect it to be better, down slightly from the 43 per cent who expected improvement last year. Another 40 per cent expect it to remain the same, while 20 per cent expect it to do worse.

The apparent decline in expectation may not be as negative as it appears, and may be partly a function of where the economy is in the cycle. Many of the people who say the economy is doing well now, expect it to continue to do well, even if they don't expect it to be better.

Of those 61 per cent of Canadians who rate the current health of the economy as being good, 40 per cent expect this state to continue, 45 per cent expect it to get better, and just 12 per cent expect it to worsen.

Of the 14 per cent who say the current economy is poor, 32 per cent expect it to continue to be poor and 46 per cent expect it to become even worse. On the other hand, 21 per cent expect it to improve.

Expectations are remarkably consistent across demographic groups, with only slight variances – for example, men are more optimistic about the future economy than are women.

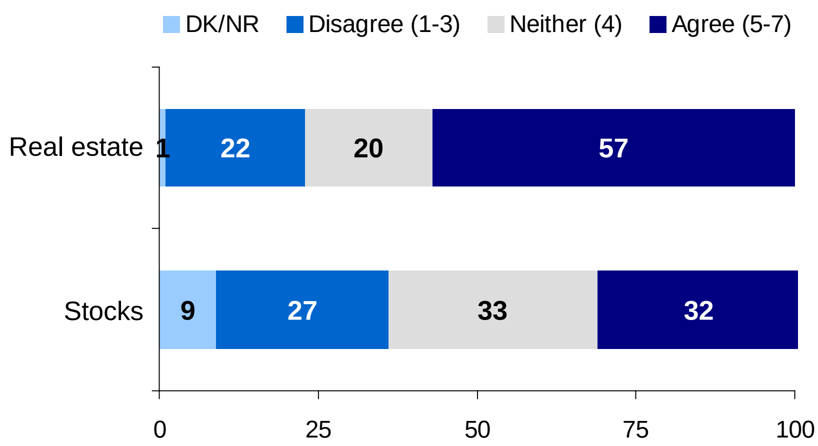
On a regional basis, however, there are quite sharp differences, which were also noted in last year's survey. Just 31 per cent of Ontarians expect the trend to be better, while 24 per cent expect it to be worse, the most negative outlook in the country.

British Columbians are by far the most positive, with 46 per cent expecting economic improvement and only 13 per cent expecting economic decline.

On balance, the Savvy are significantly more positive than the general public – 44 per cent expect the trend to be better, 35 per cent expect it to remain the same, and 18 per cent expect a downturn in the years ahead.

Figure 2.3 — Expected Trends in Real Estate and Stock Prices

Q: I'm worried that…real estate/stock…prices are too high and could be heading for a fall.



{Base: all; percentages; real estate, n= 739; stocks, n=766}

TABLE 2.1: EXPECTED TRENDS IN REAL ESTATE PRICES

(percentages)

	AGE					
	<25 (n=50)	25-34 (n=108)	35-44 (n=157)	45-54 (n=150)	55-64 (n=138)	65+ (n=131)
Agree (5-7)	58	57	62	49*	57	57
Neither (4)	16	21	18	24	18	22
Disagree (1-3)	24	20	20	26	23	20
DK/NR	2	1	0	1	2	2

	GENDER		REGION				
	Male (n=357)	Female (n=382)	BC (n=125)	Alberta (n=81)	Prairies (n=76)	Ontario (n=382)	Atlantic (n=75)
Agree (5-7)	55	58	55	54	44*	60*	60
Neither (4)	17*	23*	19	22	23	18	24
Disagree (1-3)	28*	17*	25	23	33*	21	15
DK/NR	0	2	1	1	0	1	1

	INCOME					
	<$20K (n=71)	$20-39K (n=123)	$40-59K (n=117)	$60-79K (n=90)	$80-99K (n=74)	$100K+ (n=142)
Agree (5-7)	53	57	52	61	60	60
Neither (4)	22	20	22	20	20	17
Disagree (1-3)	22	22	26	18	19	23
DK/NR	3	1	0	1	0	0

More Canadians expect a fall in real estate prices than in stock prices.

Talk about a real estate bubble has been building for some time. To take a reading on this, half the respondents were asked whether or not they are worried that real estate prices are too high and could be heading for a fall; 57 per cent agreed that they are. Among our Savvy marker group, 59 per cent share this assessment.

With the exception that men are less worried about a fall than are women, there are practically no significant differences in this assessment among major demographic groups, itself something of a surprising finding. The conventional wisdom on real estate prices seems to be widespread.

As might be expected, however, there are some minor regional variations, with pessimism about real estate prices being highest in Ontario and lowest in the Prairies.

The other half of respondents were asked for their expectations about the future of stock prices; and here the findings show much less agreement about where prices are heading.

Overall, 32 per cent agree that stock prices could be too high and heading for a fall, while 27 per cent disagree. The Savvy are evenly split with 35 per cent agreeing and 35 per cent disagreeing, while the rest of the group is neutral.

Demographic differences on this indicator are minor with the exception that men tend to be less worried about the direction of stock prices than are women.

Table 2.2: Expected Trends in Stock Prices

(percentages)

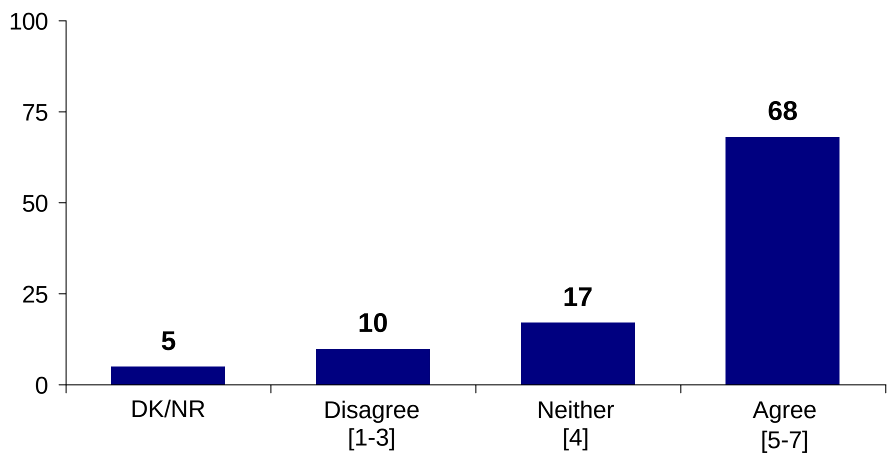
	AGE					
	<25 (n=49+)	25-34 (n=112)	35-44 (n=140)	45-54 (n=165)	55-64 (n=135)	65+ (n=153)
Agree (5-7)	26	23*	30	34	38*	40*
Neither (4)	44*	38	30	28	31	26*
Disagree (1-3)	25	29	29	30	26	21*
DK/NR	4	10	11	7	5	12

	GENDER		REGION				
	Male (n=382)	Female (n=384)	BC (n=134)	Alberta (n=121)	Prairies (n=64)	Ontario (n=371)	Atlantic (n=76)
Agree (5-7)	34	29	31	31	34	32	30
Neither (4)	29*	36*	38	28	30	32	32
Disagree (1-3)	31*	22*	24	24	23	30	27
DK/NR	5	13	7	17	13	6	10

	INCOME					
	<$20K (n=71)	$20-39K (n=127)	$40-59K (n=136)	$60-79K (n=96)	$80-99K (n=80)	$100K+ (n=134)
Agree (5-7)	32	27*	29	38	19*	42*
Neither (4)	39	31	35	29	35	28
Disagree (1-3)	16*	31	26	27	38*	26
DK/NR	13	11	10	5	8	5

Figure 2.4 — Investing for the Long Run

Q: The investor who stands firm through the ups and downs of the market is more likely to make good returns than the investor who pulls out when the market drops.



{Base: all; percentages; n=1505}

TABLE 2.3: INVESTING FOR THE LONG RUN

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	52*	67	72*	72*	72	69
Neither (4)	31*	18	15	14*	12*	14*
Disagree (1-3)	12	10	9	10	12	9
DK/NR	5	4	4	4	4	9

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	69	66	70	69	62	68	65
Neither (4)	15*	19*	18	17	24*	17	14
Disagree (1-3)	12*	9*	6*	11	10	11	14*
DK/NR	4	6	6	4	4	5	7

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	54*	63*	70	74	71	77*
Neither (4)	29*	17	14	17	16	11*
Disagree (1-3)	7	11	13*	6*	9	10
DK/NR	10	8	3	3	3	2

The great majority of Canadians believe that investors do better when they stand firm through market ups and downs rather than cut and run.

Previous surveys measured the issue of long-run returns through two indicators. One asked for the level of agreement with the proposition that "stock markets go up and down all the time, but over the long run they produce good returns for investors." Throughout the survey period, a steady 57 or so percent agreed, while about 16 per cent disagreed.

The second proposition was 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." About 57 per cent tended to agree with this statement, while about 19 percent disagreed.

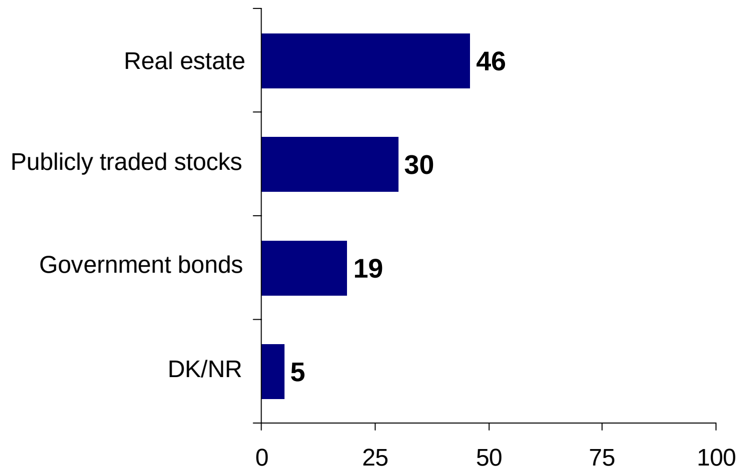
In the latest survey, the proposition was modified to read: "The investor who stands firm through the ups and downs of the market is more likely to make good returns than the investor who pulls out when the market drops." Agreement with this concept is even stronger than with the previous two. Overall, 68 per cent agree, while only 10 percent disagree.

Agreement tends to be stronger among people with higher incomes and money to invest. Somewhat surprisingly, on this indicator women are as likely to agree with the proposition as are men.

Among the Savvy, 78 per cent agree with the statement, while 10 per cent disagree.

Figure 2.5 — Primary Vehicles for Long-term Investments

Q: If you had a lot of money to invest and didn't need it for another 15 years, in which of the following types of investments would you invest most of this money?



{Base: all; percentages, n=1505}

Table 2.4: Primary Vehicles for Long-term Investments

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Real estate	52	44	50	49	46	35*
Bonds	27*	18	13*	13*	20	25*
Stocks	18*	33	34	34	28	33
DK/NR	3	5	3	4	5	78

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Real estate	43*	49*	57*	54*	43	42*	44
Stocks	37*	24*	25*	26	35	33*	28
Bonds	16*	21*	13*	14*	17	21*	23
DK/NR	4	5	5	6	5	4	5

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Real estate	41	49	47	47	47	43*
Bonds	31*	25*	21	17	14	12*
Stocks	21*	22*	29	32	37	41*
DK/NR	7*	5	3	4	3	4

While real estate is Canadians' most preferred long-term investment vehicle, publicly traded stocks are the choice of Savvy investors.

Another new indicator in this year's tracking study asked Canadians which long-term investment vehicle they would favour if they had a lot of money to invest and didn't need it for another 15 years.

Since ownership of a home is such a large part of so many people's net worth, it is perhaps not surprising that real estate is selected by 46 per cent as the type of investment where they would place most of their money. This is followed by 30 per cent who would put it in stocks, and 19 per cent who would invest in bonds.

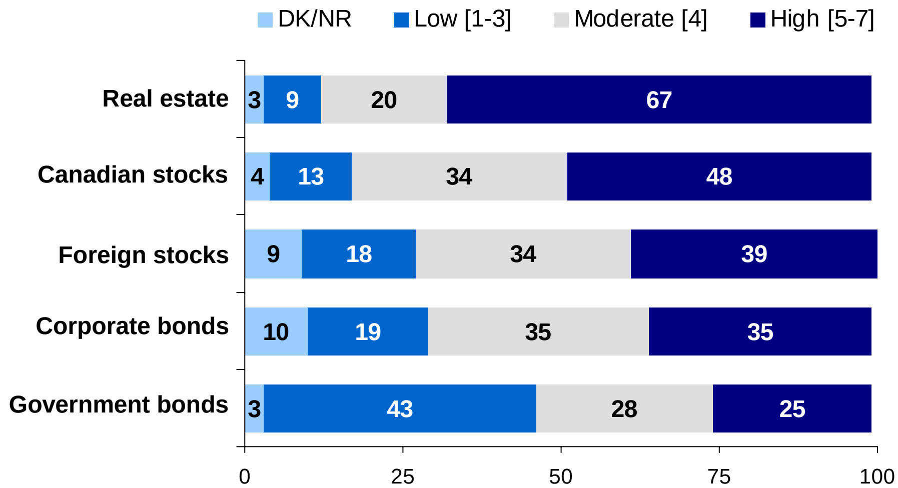
However, this indicator shows a sharp differentiation of preferences across demographic and regional groups:

- As frequently noted, women often show more aversion to risk in this type of indicator, with their preference being skewed toward bonds and real estate, while men show an above-average skew toward stocks.
- The university-educated, as well as those with higher incomes and investments, show a more balanced choice between stocks and real estate.
- Not surprisingly, pensioners show an above-average lean toward bonds.
- In the hot property markets in British Columbia and Alberta, real estate is the preferred investment vehicle for more than half the respondents.

The Savvy have a quite different perspective from the rest of the population on longer-term investing, with 46 per cent saying they would invest their money in stocks. Only 36 per cent select real estate, and just 14 per cent select government bonds.

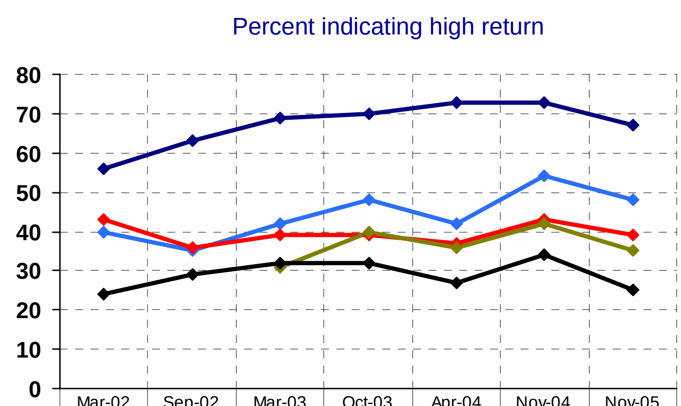
Figure 2.6 — Perceived Returns on Investment Types

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, I'd like you to tell me what rate of return you would expect from the following types of investments.



{Base: random, streamed half sample; percentages; n=766}

Figure 2.6a — Tracking Perceived Returns on Investment Types



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04	Nov-05
Real Estate	56	63	69	70	73	73	67
Canadian stocks	40	35	42	48	42	54	48
Foreign Stocks	43	36	39	39	37	43	39
Corporate Bonds			31	40	36	42	35
Government bonds	24	29	32	32	27	34	25

{Base: random, streamed half sample; percentages}

Expectations about high returns on investments of any type have dropped since last year.

Since the March 2002 benchmark survey, we have been tracking the expected rate of returns on four classes of investment – real estate, Canadian stocks, foreign stocks and government bonds. Corporate bonds have been included since the second tracking study.

In last year's survey, the expected returns on all classes of investment took a favourable bounce, though real estate was the preference of 73 per cent of Canadians looking for high returns, and we began to worry about a possible bubble developing in expectations. The expected returns from Canadian stocks also showed quite a bounce.

Expectations have now cooled across the board, perhaps reflecting the lower interest rate environment in which most investors have been living. Real estate is still king, and particularly in booming Alberta. More than three in four Albertans would expect to receive a high return on their real estate investments. This reflects the highest level of real estate confidence in the country.

Canadian stocks are still the second most favoured for good long-term returns, though they are selected by slightly under half the respondents, a 6 percentage-point drop since last year.

The Savvy again show a different pattern from the rest of the population in their assessment of expected returns, even though their overall hierarchy of investment types is similar. The summary chart of those expecting high returns is as follows:

TABLE 2.5: EXPECT HIGH RETURNS
(percentages)

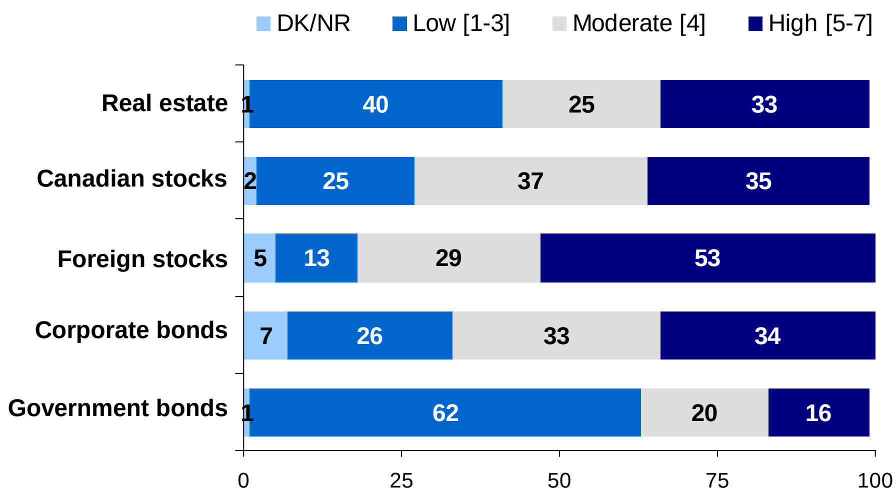
	Total Canadians	Savvy	Difference
Real estate	67	67	—
Canadian stocks	48	63	+15
Foreign stocks	39	55	+16
Corporate bonds	35	35	—
Government bonds	25	18	-7

As the chart shows, the Savvy investors look much more to domestic and foreign stock markets for high returns than does the average Canadian. They are also less likely to choose government bonds as a vehicle for high returns.

This pattern of preference also tends to be reflected in investment choices among demographic groups in which the Savvy are over-represented: men, those with higher incomes and higher levels of education, and larger investors.

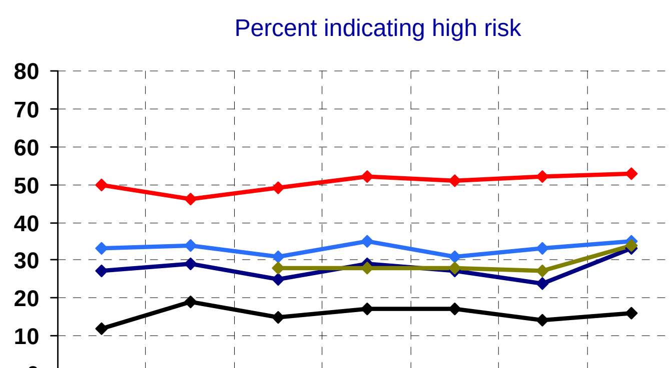
Figure 2.7 — Perceived Risk with Investments

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 each of the following types of investments?



{Base: random, streamed half sample; percentages; n=739}

Figure 2.7a — Tracking Perceived Risk of Investments



	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04	Nov-05
Real Estate	27	29	25	29	27	24	33
Canadian stocks	33	34	31	35	31	33	35
Foreign Stocks	50	46	49	52	51	52	53
Corporate Bonds			28	28	28	27	34
Government bonds	12	19	15	17	17	14	16

{Base: random, streamed half sample; percentages}

While expectations for investment returns have declined, perceived investment risks have increased, especially for real estate and corporate bonds.

The pattern of perceived risk attached to various classes of investment is usually fairly stable, but there have been a couple of significant changes since last year.

- Foreign stocks are still perceived to be the riskiest investments -- rated high risk by 53 per cent, a level not significantly changed for the past two years.
- Canadian stocks are considered to be lower risk than foreign stocks – just 35 per cent consider them to be high risk, a figure that has changed very little throughout the survey period.
- Government bonds, rated the least risky investments, have also maintained their low-risk profile throughout the survey period – 62 per cent still consider them to be low risk.

However, two investment classes record significant upward jumps in perceived risk:

- On balance, 40 per cent of Canadians still consider real estate to be a low-risk investment, but one-third now consider it to be high risk, a 9-percentage point jump since last year, and now at a risk level almost equal to Canadian stocks. This is further evidence of concern about a real estate bubble.
- Corporate bonds have also increased their risk profile with 34 per cent now saying that they associate them with high risk. This is the highest level since this class of investment has been rated.

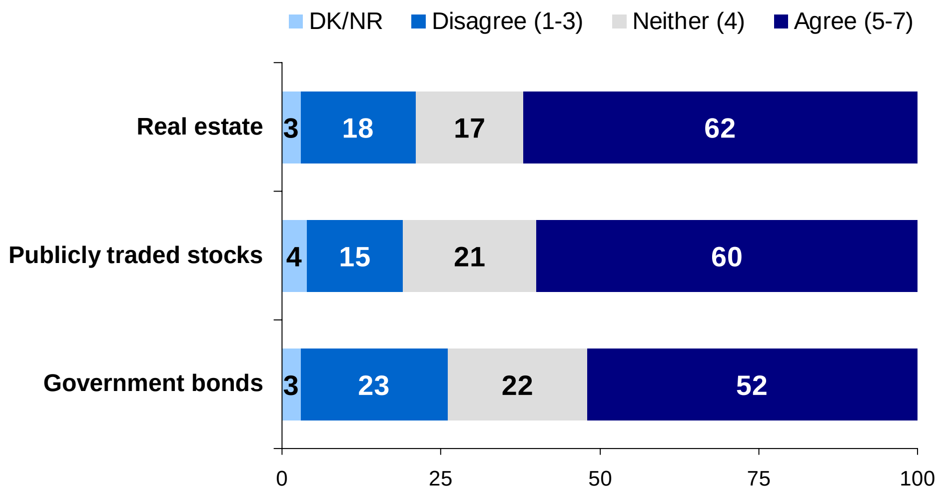
In comparison with their sharp difference from the general public on expected investment returns, in terms of risk assessment the Savvy are much closer to average Canadian opinion. The only notable difference is that 42 per cent of the Savvy (compared with 35 per cent of the general public) consider Canadian stocks to be high risk.

TABLE 2.6: RATIO OF RISK TO RETURN

	TRACKING SURVEYS						
	Mar-02	Sep-02	Mar-03	Oct-03	Apr-04	Nov-04	Nov-05
Foreign stocks	0.97	0.95	0.93	0.90	0.92	0.95	0.92
Canadian stocks	1.03	1.03	1.06	1.07	1.10	1.14	1.10
Corporate bonds			1.08	1.10	1.10	1.14	1.03
Real estate	1.29	1.42	1.49	1.46	1.50	1.58	1.34
Government bonds	1.35	1.39	1.47	1.46	1.34	1.51	1.27

Figure 2.8 — Components of a Balanced Retirement Plan

Q: A well-balanced retirement plan would include investments in…



{Base: all; percentages; real estate, n=479; publicly traded stocks, n=511; government bonds, n=515}

TABLE 2.7: ONLY THOSE WHO AGREE (5-7)

(percentages)

	AGE					
	<25	25-34	35-44	45-54	55-64	65+
Real estate	51	63	67	72*	62	57
Stocks	56	57	59	63	62	63
Bonds	42	54	50	52	54	61*

	GENDER		REGION				
	Male	Female	BC	Alberta	Prairies	Ontario	Atlantic
Real estate	62	63	69	62	64	61	59
Stocks	68*	52*	70*	63	67	57	52
Bonds	56*	47*	48	41*	57	55	51

	INCOME					
	<$20K	$20-39K	$40-59K	$60-79K	$80-99K	$100K+
Real estate	46*	55*	67	49*	75	73*
Stocks	61	55	55*	56	72	72*
Bonds	55	58*	47	65*	53	37*

In Canadians' opinion, a well-balanced retirement plan would include real estate, stocks and, to a lesser extent government bonds; but the Savvy would add more stocks.

Asked for the first time, a majority of Canadians indicate that a well-balanced retirement plan would include real estate (62 per cent), publicly traded stocks (60 per cent) and government bonds (52 per cent).

Across the country there is fairly general agreement with these priorities, though Albertans are less likely than other Canadians to include government bonds.

Savvy investors have a slightly different set of priorities. Consistent with their generally more favourable attitudes toward stocks, Savvy investors agree with the inclusion of the various investment classes in a well-balanced retirement portfolio as follows:

TABLE 2.8: PERCENT AGREEING
(percentages)

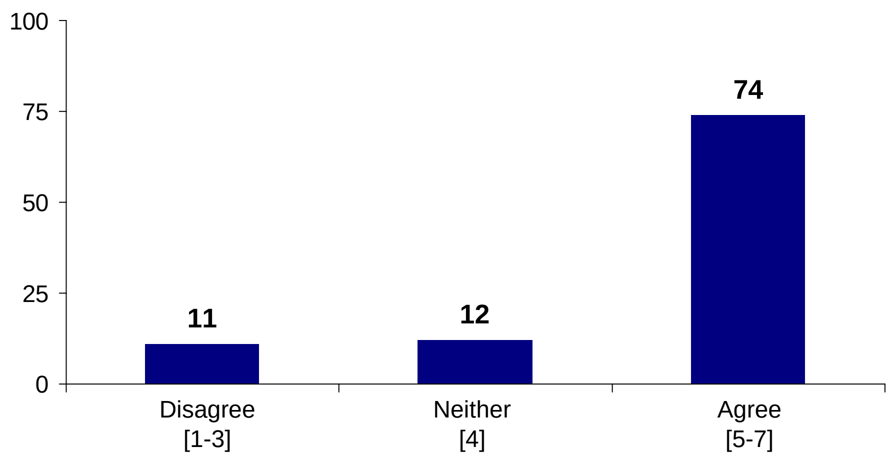
	Total		
	Canadians	Savvy	Difference
Publicly traded stocks	62	72	+10
Real estate	60	61	+1
Government bonds	52	57	+5

Note that the Savvy, as well as the general public, see the need for all three classes of investments in a well-balanced retirement plan, but the Savvy are more likely to agree with publicly traded stocks being in the portfolio.

It is important to note that the Savvy are also more likely to include government bonds in a well-balanced plan.

Figure 2.9 — Foreign Component in a Retirement Plan

Q: A well-balanced retirement plan would include investments in Canada and other parts of the world.



{Base: all; percentages; n=1505} {DK/NR= 3%}

TABLE 2.9: FOREIGN COMPONENT IN A RETIREMENT PLAN

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	65*	73	76	78*	80*	73
Neither (4)	17*	13	11	13	8*	11
Disagree (1-3)	13	11	12	7*	11	13
DK/NR	5	3	1	1	2	4

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	78*	70*	76	72	73	75	67*
Neither (4)	10*	15*	13	14	10	12	13
Disagree (1-3)	9*	12*	9	12	15	10	17*
DK/NR	2	3	3	2	2	3	3

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	64*	64*	76	74	82*	82*
Neither (4)	16	16*	14	13	11	9*
Disagree (1-3)	13	17*	9	11	6*	9
DK/NR	7	4	2	2	1	0

There is overwhelming agreement that a well-balanced retirement plan would include investments both in Canada and in other parts of the world.

In view of the recent ending of restrictions on retirement assets being invested outside Canada, we added several new indicators this year to investigate attitudes to foreign investment. This is not a complete investigation, and more work needs to be done, but it is clear that there is wide support for diversification of assets outside the country.

As a general indicator, three-quarters (74 per cent) of Canadians agree that a well-balanced retirement plan would include investments both in Canada and in other parts of the world.[4]

Support for this position is evident right across all demographic and regional groups, with a minimum of two-thirds, and up to 90 per cent in some groups, supporting this proposition.

As clear evidence of support among key investor groups, 84 per cent of the Savvy agree that a well-balanced retirement plan would include both domestic and foreign investments.

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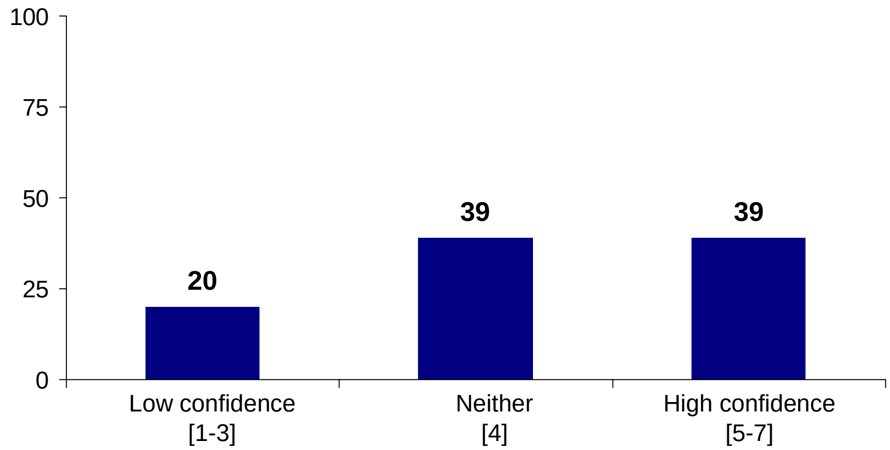
[4] Note: Chapter 4 looks at some other aspects of foreign investments as they relate to the CPP.

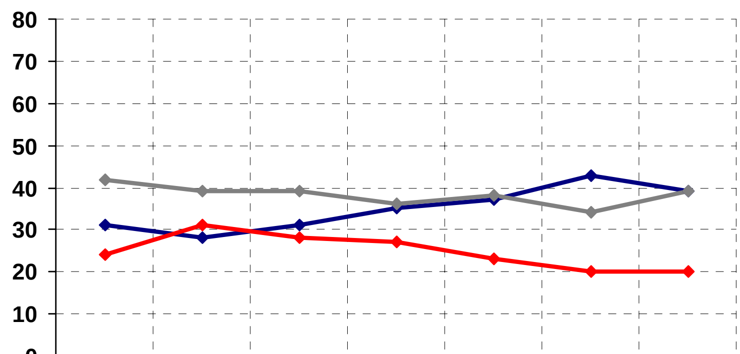
Figure 2.10 — Confidence in Investment Professionals

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



{Base: all; percentages; n=1505} {DK/NR=2%}

Figure 2.10a — 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	Nov-05 mean=4.22
High confidence (5-7)	31	28	31	35	37	43	39
Neither (4)	42	39	39	36	38	34	39
Low confidence (1-3)	24	31	28	27	23	20	20

{Base: all; percentages}

While still fairly high, confidence in investment professionals has slipped a little in the past year.

As one of the components in the overall Confidence Index, respondents have been asked in each tracking survey how confident they are in the ability of investment professionals to obtain high returns in the stock market over the long term. This is an essential promise in the CPP Investment Board's mandate.

About two Canadians in five have high confidence in investment professionals' ability, two in five have moderate confidence, and one in five has low confidence. These findings are not drastically different from previous years' results, but the upward trend in confidence in investment professionals has been interrupted this year.

There have been quite a few financial scandals during the past year related to stocks, frauds and executive manipulation, and perhaps the tremor in confidence reflects those events.

Confidence is fairly constant across all demographic and regional groups, with only the expected variations (based on gender, age, income and investments). The Savvy provide a good proxy for the higher confidence segments; 52 per cent of this group have high confidence in investment professionals, 31 per cent have moderate confidence and just 16 per cent have low confidence.

Chapter 3
Involvement with the Canada Pension Plan

Almost all Canadians now contribute, or have contributed in the past, to the Canada Pension Plan, and, presumably, are therefore entitled to a pension, even if a reduced one. Since the overwhelming majority of the adult population is a member of the Plan, Canadians' relationship with it, and their expectations about it, are an important part of personal retirement planning.

When we first started these surveys, we found it was common for investment advisers to dismiss the Canada Pension Plan, some even propagating the notion that the Plan would in any case be out of money by the time their clients retired. This encouraged clients to feel more dependent on, and perhaps more beholden to, their advisers' counsel.

Over time, we have noted that real information about the Canada Pension Plan is starting to seep out, and the Savvy in particular are much more aware of the strength of the Plan.

The facts are starting to be known, though slowly, but misapprehension is still widespread.

For instance, a large percentage of younger Canadians in particular still believe that the CPP will be out of money by the time they reach retirement age, and this tends to colour their attitudes toward it. It continues to be something of a mystery why these misapprehensions have not have been challenged and corrected.

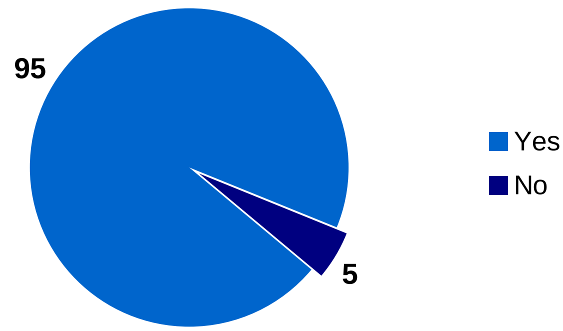
This chapter tracks Canadians' involvement in the CPP, and the gradual improvement in their understanding of its strength and management.

The indicators included in this chapter are:

- CPP awareness and participation
- Awareness of the CPP pool of funds
- Knowledge of the size of the pool
- Expected reliance on the CPP
- Future viability of the CPP
- Acceptable conditions for increasing CPP contributions
- Confidence in the board model
- Concern about political influence

Figure 3.1 — CPP Awareness

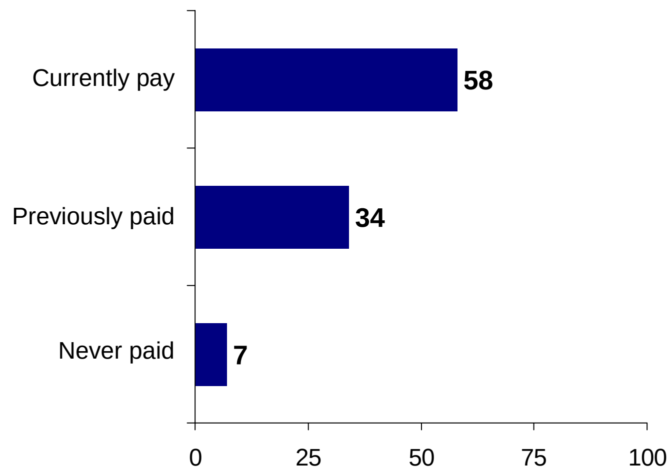
Q: Have you heard of the Canada Pension Plan or CPP?



{Base: all; percentages; n=1505}

Figure 3.2 — CPP Participation

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=1505} {DK/NR= 1%}

The Canada Pension Plan is universally known, and most people have contributed to it at one time or another.

As the pie chart on the opposite page shows, virtually everyone has heard of the Canada Pension Plan. The only demographic group that reports a significantly lower awareness of the CPP is the youngest segment – 14 per cent of those under 25 say they have never heard of the Plan.

This high awareness of the Plan has been consistent throughout the survey period.

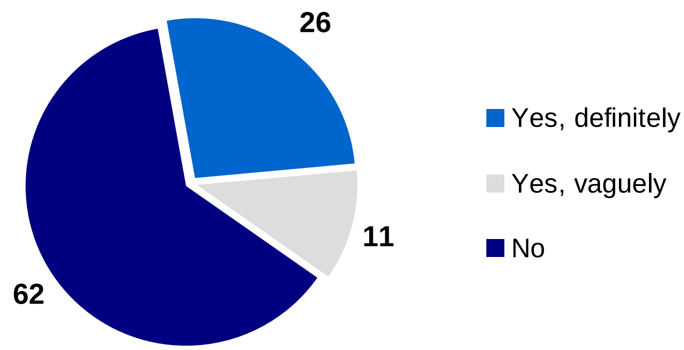
The second chart demonstrates the universal nature of the Canada Pension Plan, with just 7 per cent saying that they have never paid into the Plan. This small cohort includes 26 per cent of those under 25 who are presumably still in school or training and not yet fully engaged in the workforce.

Women are significantly over-represented in the third of the public who say they are previous contributors to the Plan, as are older age groups – 82 per cent of seniors say they used to contribute.

All these figures are consistent with findings in previous years.

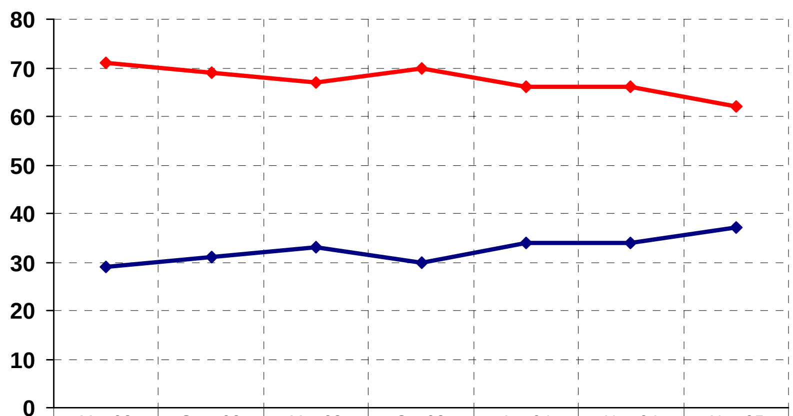
Figure 3.3 — Awareness of the CPP Pool of Funds

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



{Base: all; percentages; n=1505}

Figure 3.3a — Tracking Awareness of the CPP Pool of Funds



	Mar-02 (n= 239)	Sept-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=2001)	Apr-04 (n=2001)	Nov-04 (n=2007)	Nov-05 (n=1505)
Yes	29	31	33	30	34	34	37
No	71	69	67	70	66	66	62

{Base: percentages}

Awareness that there is a large pool of CPP assets available to pay future pension benefits continues to inch up.

As a preamble to this section of the survey, participants were read the following statement:

"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."

Asked whether they were aware of the existence of this large pool of CPP assets, 26 per cent say they were definitely aware of it – the highest level recorded to date – and another 11 per cent report that they were vaguely aware of it.

At 37 per cent, overall awareness that this CPP pool of assets exists has reached the highest point during the survey period. At the time of the benchmark survey in March 2002, just 29 per cent were aware of the pool's existence. This increase in awareness, while still limited to a minority of the population, is significant.

As in past surveys, knowledge of the pool progressively increases with age, income and education. Men are also significantly more likely to be aware of the pool (46 per cent) than are women (29 per cent).

Using the Savvy as a key marker segment, more than half – 54 per cent – are now aware of the existence of this pool of assets.

Figure 3.4 — Knowledge of the Size of the Pool

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*	Nov-05 n=746*
More than $100 billion	6	6	5	5	7
$75 to $100 billion	4	4	5	5	5
$50 to $75 billion	10	8	8	8	9
$25 to $50 billion	11	12	12	13	12
$10 to $25 billion	17	18	17	17	17
$1 to $10 billion	19	18	23	23	20
Less than $1 billion	5	7	7	7	6
DK/NR	28	28	22	23	24

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

Preamble

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.

Estimates of the size of the CPP pool still vary all over the map and show little improvement in accuracy.

The size of the CPP's pool of assets has been steadily increasing since the beginning of the survey period. At the time of the benchmark survey it was valued at $53 billion, rising to approximately $90 billion at the time of the sixth tracking study.[5]

To a certain extent, therefore, asking people for their estimate of the size of the pool is aiming at a moving target, and a quarter of respondents do not even hazard a guess.

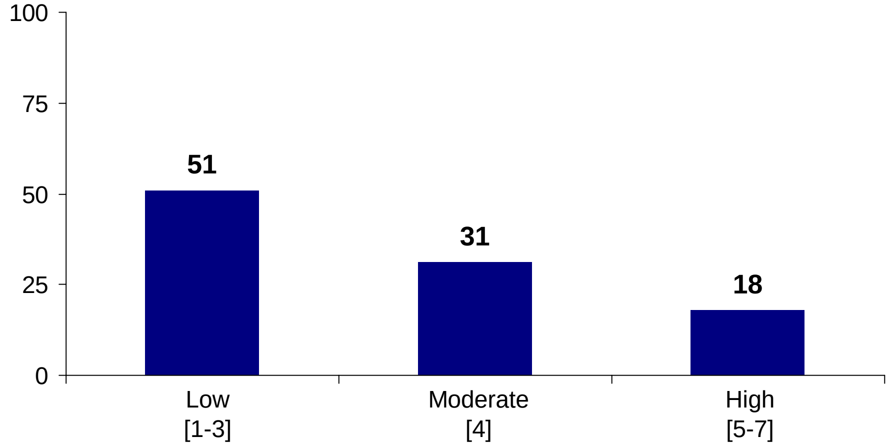
Just 12 per cent estimate the size of the pool at over $75 billion, a number that has not changed significantly over the latest five trackings.

The Savvy come closer – 45 per cent estimate the pool at over $25 billion compared with 33 per cent of the general public – but even many in this group have no firm fix on the amount.

[5] Research Note: 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 answering subsequent questions.

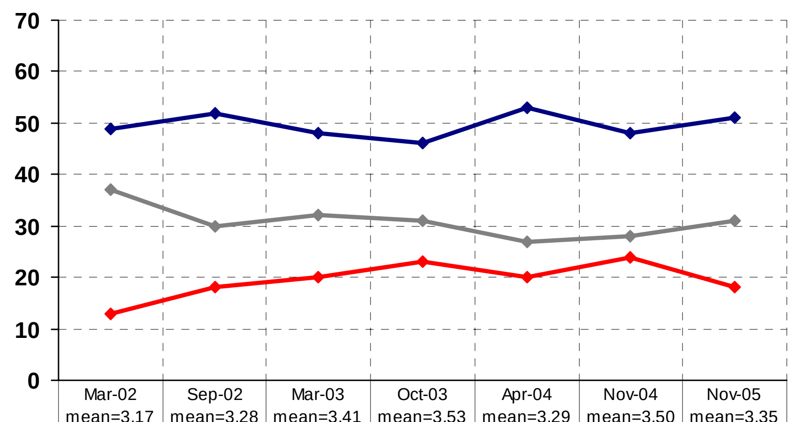
Figure 3.5 — Expected Reliance on the CPP

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



{Base: non-retired persons; percentages; n=1082} {DK/NR=1%}

Figure 3.5a — 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	Nov-05 mean=3.35
High ext. (5-7)	13	18	20	23	20	24	18
Moderate (4)	37	30	32	31	27	28	31
Low ext. (1-3)	49	52	48	46	53	48	51

{Base: non-retired persons; percentages}

Just about half of those who are not yet retired expect to rely on the CPP at least to some extent for their retirement income.

Even though the Canada Pension Plan cautions Canadians against relying solely on the CPP for their retirement income, since the first benchmark survey we noted a small, but growing, minority who were expecting to have to rely to a great extent on CPP benefits during their retirement.

In this year's tracking, that dependence number has declined a little, perhaps reflecting bullish opinion about the state of the economy. The latest results show that 18 per cent of those not yet retired expect to rely greatly on the CPP for their retirement income, and another 31 per cent expect to have moderate reliance on it – in the aggregate, a figure that is fairly comparable with earlier surveys.

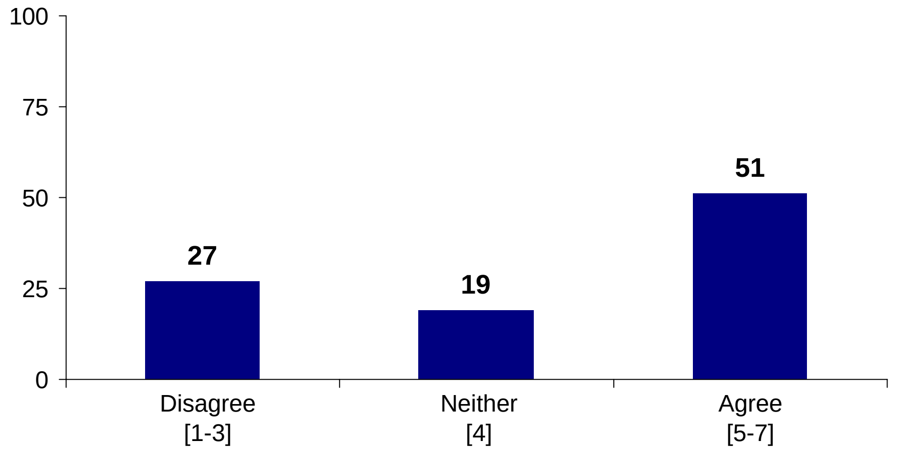
As in past surveys, those closest to retirement are most likely to say they will be heavily dependent on the CPP; and the youngest are the most likely to say they expect to have little dependence on it.

The expectation of dependence also decreases with income, education and the size of personal investments. At 13 per cent, men are much less likely than women, 24 per cent, to say they expect to rely heavily on the CPP.

Not surprisingly, reflecting their demographic skews, 57 per cent of the Savvy expect to have little dependence on CPP benefits and only 15 per cent expect to rely on it to any great extent.

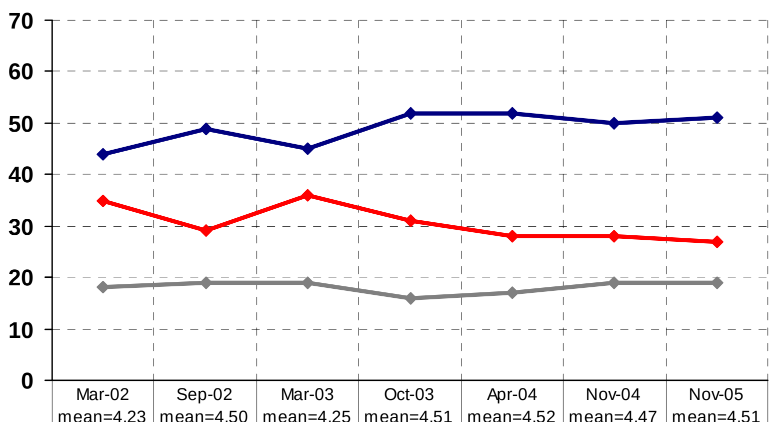
Figure 3.6 — Future Viability of the CPP

Q: How strongly do you agree or disagree that the CPP will be out of money by the time you retire.



{Base: contributors; percentages; n=1144} {DK/NR=2%}

Figure 3.6a — Tracking Future Viability of the CPP



	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	Nov-05 mean=4.51
Agree (5-7)	44	49	45	52	52	50	51
Neither (4)	18	19	19	16	17	19	19
Disagree (1-3)	35	29	36	31	28	28	27

{Base: contributors; percentages}

The view that the CPP will run out of money persists, particularly among younger Canadians.

Half of all Canadians continue to believe that the CPP will run out of money before they retire. The latest measurement is virtually the same as in the past two years, with 51 per cent agreeing with the proposition that the CPP will be out of money by the time they retire, and only 27 per cent disagree.

Of particular concern, the Savvy disagree with the statement only slightly more often than the general public.

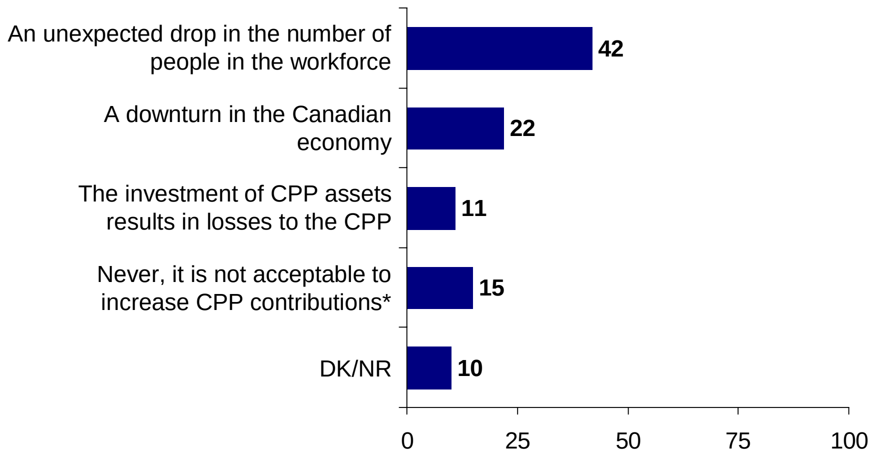
As might be expected, age is a key variable in this indicator, with 45 being a dividing point. The over-45s are significantly more likely to disagree with the proposition, and the under-45s to agree (though the under-25s show some evidence of being less pessimistic).

Gender is also a variable. As we have noted previously, women are a little less optimistic on this issue than are men.

The viability of the CPP as a retirement income resource for present and future generations of Canadians is a good news story. The story still does not seem to be getting out.

Figure 3.7 — Acceptable Conditions for Increasing CPP Contributions

Q: The CPP is funded by the contributions made by employees and employers in Canada. In which of the following circumstances do you feel that it would be acceptable to increase the level of contributions made to the Plan?



{Base: all; percentages; n=1505} * Not read to respondents

Table 3.1: Acceptable Conditions for Increasing CPP Contributions

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Downturn	30*	30*	22	17*	15*	20
Drop in work #s	40	36*	41	48*	46	41
CPP losses	16*	9	7*	10	9	16*
Never	7*	18	19*	16	19*	8*
DK/NR	7	7*	11	9	11	16*

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Downturn	23	22	23	30*	19	20*	25
Drop in work #s	41	42	37*	37	53*	41	50*
CPP losses	11	11	13	11	10	11	9
Never	16	14	14	13	8*	18*	6*
DK/NR	10	10	13	9	10	10	11

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Downturn	23	29*	26*	24	22	15*
Drop in work #s	43	41	43	44	44	44
CPP losses	15*	11	9	9	7*	13
Never	10*	7*	13	17	18	21*
DK/NR	8	12*	9	7	9	7

The only circumstance that resonates as a reason for increasing CPP contributions is an unexpected drop in the workforce.

In the first several tracking surveys, respondents were asked to state their preference between two possible investment strategies by the CPP – either taking reasonable investment risks to avoid the need to increases premiums, or making the safest investments even if premiums needed to be increased in the future.

Over the course of five surveys, there was a distinct shift toward making the safest investments, even if premiums needed to be increased – from 39 per cent in March 2002 to 50 per cent in April 2004.

In the latest survey, a new indicator was added to further probe the conditions under which Canadians might agree to an increase in contribution levels. Respondents were given three scenarios and they could choose as many of them as they thought appropriate. The results are shown on the opposite page.

In the event that there is an unexpected drop in the number of people in the workforce, 42 per cent feel that it would be acceptable to increase the level of contributions made into the Plan. The highest agreement with this option (more than 50 per cent) is in the Prairies and Atlantic Canada, both of which regions have experienced declining populations in the past.

A downturn in the Canadian economy would trigger acceptable circumstances for a premium increase for 22 per cent. This option resonates more with younger people, those with modest incomes, and, interestingly, with Albertans.

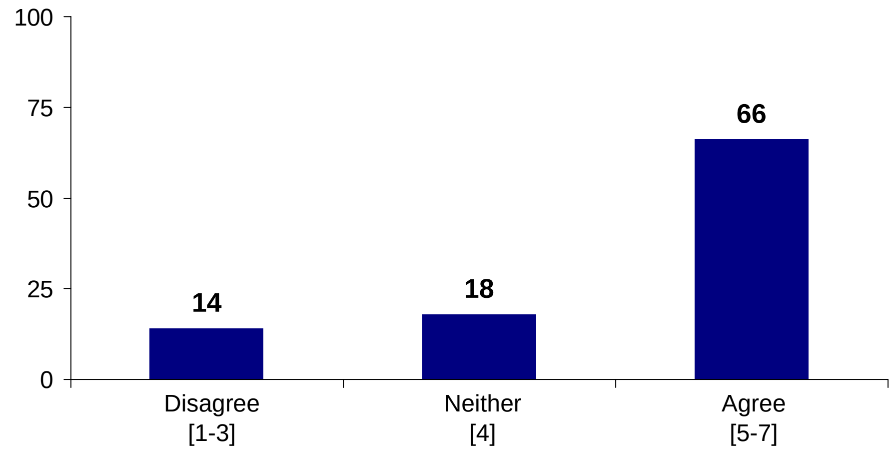
However, only 11 per cent feel that investment losses by the CPP itself would be acceptable grounds for a premium increase. Seniors are the only group that shows a slightly more favourable skew for this option at 16 per cent.

It should be noted that although the option was not read, 15 per cent say that no circumstances are acceptable to increase CPP contributions. Those most vocal on this option include 24 per cent of the self-employed, more than 20 per cent of those in the highest income groups, and 18 per cent of Ontarians, perhaps reflecting the recent increase in health premiums in that province.

The Savvy have a slightly different take on this issue. They are significantly more likely to support a premium increase in the event of a fall in the work force (47 per cent) and significantly less likely (17 per cent) on a downturn in the economy. Only 9 per cent would support an increase in the event of CPP losses. And 19 per cent of the Savvy say an increase is never acceptable.

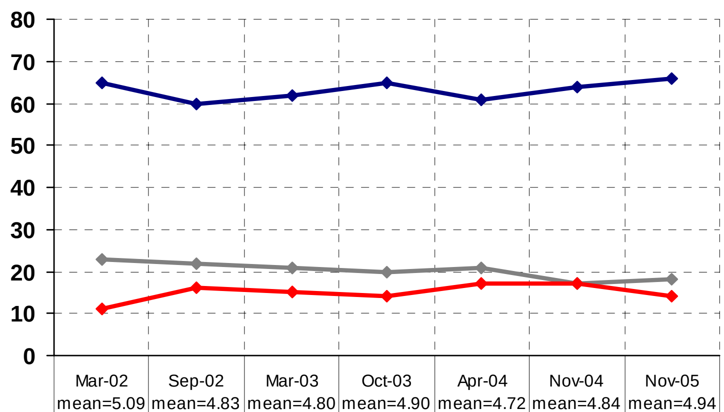
Figure 3.8 — Confidence in the Board Model

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=1505} {DK/NR=1%}

Figure 3.8a — Tracking Confidence in the 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	Nov-05 mean=4.94
Agree (5-7)	65	60	62	65	61	64	66
Neither (4)	23	22	21	20	21	17	18
Disagree (1-3)	11	16	15	14	17	17	14

{Base: percentages}

Two-thirds of Canadians – and three-quarters of the Savvy – have confidence in the CPP Investment Board model.

Confidence in the board model (as employed at the CPP Investment Board) remains at a high level. Two-thirds say they are confident that if investment professionals recruited to invest CPP assets were fully accountable to a board of directors with business and investment expertise, they would make investment decisions that are best suited to ensuring the long-term health of the CPP.

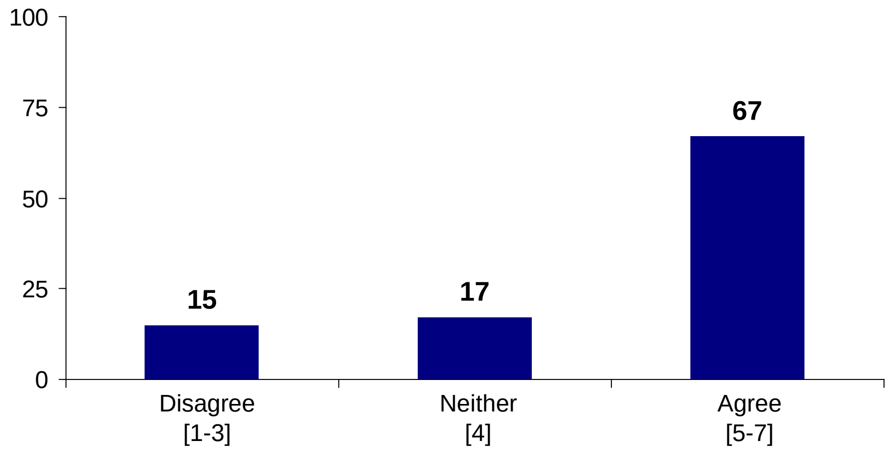
This level of confidence has fluctuated slightly throughout the survey period but is now as high as it has ever been.

There are some expected demographic skews in the overall findings, with the pre-retirement age cohort being significantly more likely than others to have confidence in the model, as are those in higher income and education groups.

Reflecting these demographic skews, the Savvy are also more confident than average in the board model, with a full 76 per cent agreeing with it, and only 10 per cent expressing disagreement.

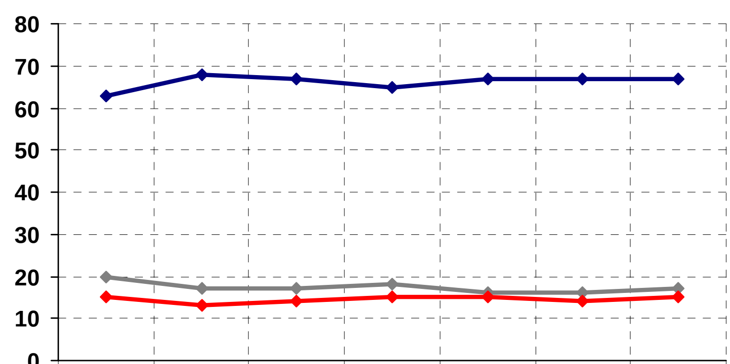
Figure 3.9 — Concern About Political Influence

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



{Base: all; percentages; n=1505} {DK/NR=1%}

Figure 3.9a — Tracking Concern 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	Nov-05 mean=5.21
Agree (5-7)	63	68	67	65	67	67	67
Neither (4)	20	17	17	18	16	16	17
Disagree (1-3)	15	13	14	15	15	14	15

{Base: percentages}

There is still concern about possible political influence in the way CPP assets are invested.

Given the political climate of the past year, it is perhaps surprising that the number of Canadians who say they are worried about potential political interference in CPP business is not higher than it is. Two-thirds (67 per cent) say they are worried that there may be political influence in the way CPP assets are invested, but this concern is at the same level as it has been throughout the survey period.

On this evidence, the CPP does not seem to have been sideswiped by, for instance, fallout from the Gomery inquiry.

The good news is that the level of concern about political influence is highest among those who rate themselves as being poor on knowledge of financial matters. The Savvy are not significantly different from the general public on this issue – if more of them were worried about political interference, it would be grounds for extra concern.

Chapter 4
Evaluating CPP Financial Performance

It would be tempting to assume that ordinary Canadians are not capable of understanding the complexities of investment finance – but that would be a big mistake. It is true that many don't think they are well informed on financial matters, and many may not be capable of evaluating the variable risk of an options strategy, but when it comes to their own money, Canadians have a pretty good idea of what's good and what's bad.

While the average citizen might not be a financial genius, there are enough financial geniuses scattered deeply enough throughout the population to make taking public opinion for granted a risky proposition. For this survey, we asked 1,500 Canadians, randomly selected across the country (except in Quebec), a long list of questions about financial matters. There is some fogginess, but in the aggregate, their answers make a lot of sense.

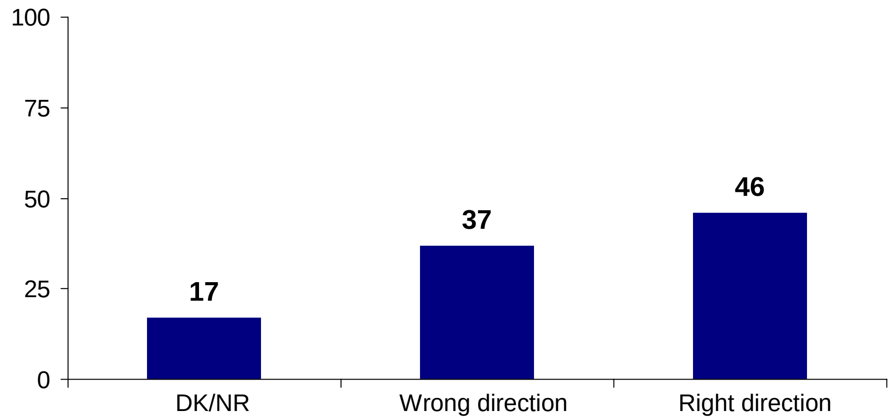
The following indicators reflect the country's opinions about the CPP – and by implication the CPP Investment Board – and its investment policies and practices. Some indicators track opinions over familiar territory and some cover new ground, such as the public's tolerance for swings in portfolio value, and for the anticipated impact of the new freedom for pension plans to invest more of their assets outside Canada. Together they help to define the country's expectations about the CPP and their degree of willingness to cut some slack to the investment professionals to do their job.

The indicators included in this chapter are:

- Overall direction of the CPP
- Confidence in CPP investment policy
- Comfort with broadly diversified portfolio
- Comfort with stock - bond mix
- Portfolio comparison with other pension funds
- Confidence in long-term stock performance
- Concern about potential stock losses
- Tolerance for CPP swings – percentage and dollar amounts
- Impact of quarterly losses on the CPP
- Anticipated impact of an economic downturn on the CPP
- Comfort with new level of CPP foreign investment
- Risk of CPP foreign investments
- Impact of foreign investments on confidence in CPP
- Attitudes toward CPP foreign investments

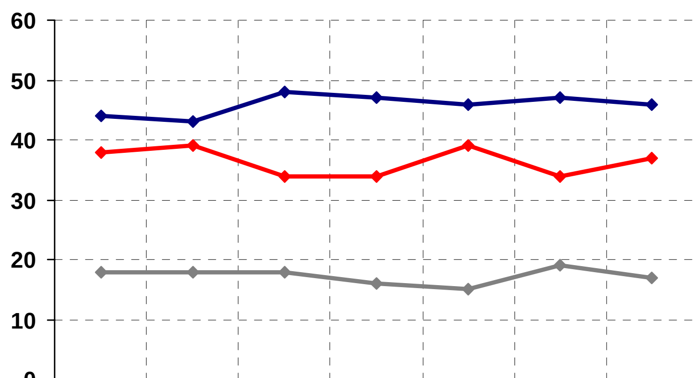
Figure 4.1 — Overall Direction of the CPP

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=1505}

Figure 4.1a — Tracking Overall Direction of the CPP



	Mar-02 (n=2258)	Oct-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=1406)	Apr-04 (n=2001)	Nov-04 (n=2007)	Nov-05 (n=1505)
Right direction	44	43	48	47	46	47	46
Wrong direction	38	39	34	34	39	34	37
DK/NR	18	18	18	16	15	19	17

{Base: all; percentages}

More than a third of Canadians still believe that the health of the CPP is moving in the wrong direction.

Just under half of all Canadians (46 per cent) believe that the overall health of the CPP is moving in the right direction, a number that has not changed during recent trackings.

At the same time, a little over a third (37 per cent) continue to believe that it is moving in the wrong direction, a number that has also held steady over the survey period.

As in the past, age is the main factor in the clear divergence of opinion on this issue.

Those over 55, including seniors, overwhelmingly see the health of the CPP as moving in the right direction. Among people aged 25 to 55 (which includes the Generation Xers), the balance of opinion definitely sees it as moving in the wrong direction (46 per cent vs. 37 per cent among the 35-to-44 age group). On the other hand, the under-25s are marginally positive.

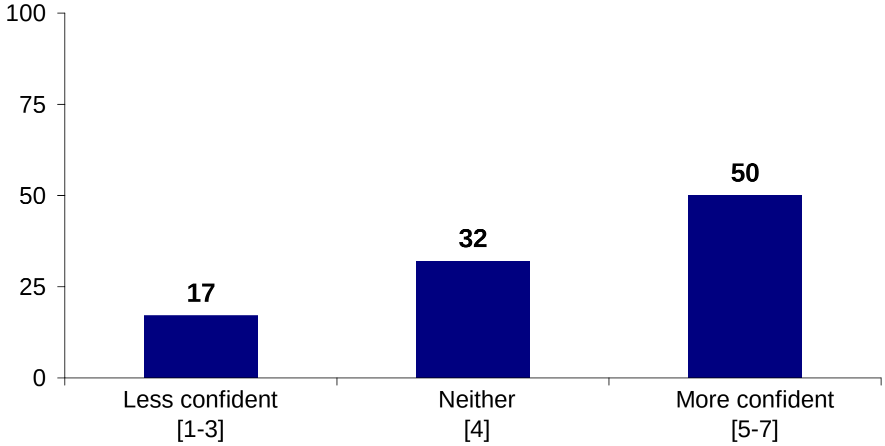
Regionally, Alberta records the largest proportion of people (43 per cent) who think the CPP is on the wrong track (though just as many Albertans think it is on the right track). In Atlantic Canada, the breakdown is 55 per cent for “right direction” vs. 26 per cent for “wrong direction.”

On balance, the Savvy are more positive than the population as a whole, with 54 per cent seeing the CPP’s direction as the right one, against 36 per cent who see it as the wrong one.

It is rather surprising to see the continuing assessment, especially by the country's young people, that the CPP is on the wrong track when the initiatives being taken by the CPP Investment Board are essentially to ensure that the CPP will be able to pay pensions to these same young people when they retire.

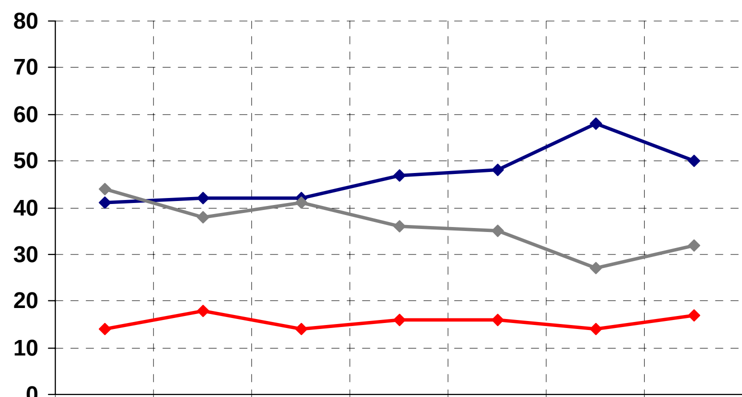
Figure 4.2 — Confidence in CPP Investment Policy

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=1505} {DK/NR=2%}

Figure 4.2a — Tracking Confidence in CPP Investment Policy



	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	Nov-05 mean=4.50
More confident (5-7)	41	42	42	47	48	58	50
Neither (4)	44	38	41	36	35	27	32
Less confident (1-3)	14	18	14	16	16	14	17

{Base: percentages}

There is a drop in those who say the investment of CPP assets to increase returns makes them more confident about its future, though the longer-term trend line is still positive.

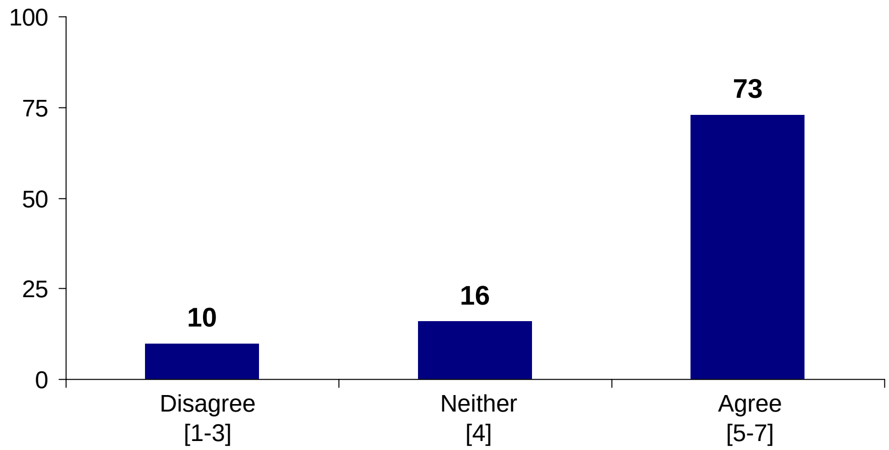
As one of the indicators included in the Confidence Index, the concept of investing CPP assets to increase returns is an important part of the CPP Investment Board's mandate. Throughout the survey period, there has been a steady increase in the proportion of Canadians who say these investments make them more confident about the long-term health of the CPP, from 41 per cent in 2002 to 50 per cent in this year's tracking.

This latest measurement is lower than the 58 per cent recorded during the previous survey, though that number may have been a spike on the overall trend line. The number of people saying that these investments make them less confident about the future of the CPP has remained consistently below 20 per cent throughout the survey period, so the change has been at the neutral middle of the scale rather than at the negative end.

As our key marker group, it is worth noting that the Savvy show much more confidence in the CPP's investment policy than does the general public, with 61 per cent saying the policy makes them more confident about the future and just 12 per cent saying it makes them less so.

Figure 4.3 — Comfort with Broadly Diversified Portfolio

Q: I'm more confident in the long-term health of the CPP knowing that CPP assets are invested in a broad range of investments that include real estate, publicly traded stocks, private companies, and government bonds.



{Base: all; percentages; n=1505} {DK/NR=1%}

TABLE 4.1: COMFORT WITH BROADLY DIVERSIFIED PORTFOLIO

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	67	72	75	72	78*	76
Neither (4)	20	17	14	18	12*	13
Disagree (1-3)	10	11	10	10	8	8

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	74	71	75	74	73	73	66*
Neither (4)	15	17	13	16	16	15	25*
Disagree (1-3)	10	9	11	9	10	9	9

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	63*	70	77	80*	75	75
Neither (4)	21*	17	12*	14	14	16
Disagree (1-3)	12	12	10	6*	10	8

The great majority of Canadians would be comfortable if CPP assets were broadly diversified.

A new indicator was added in this survey to better reflect the current and planned investment practices of the CPP Investment Board.

Canadians were asked if they would be more confident in the long-term health of the CPP knowing that CPP assets are being invested in a broad range of investments that includes real estate, publicly traded stocks, private companies and government bonds.

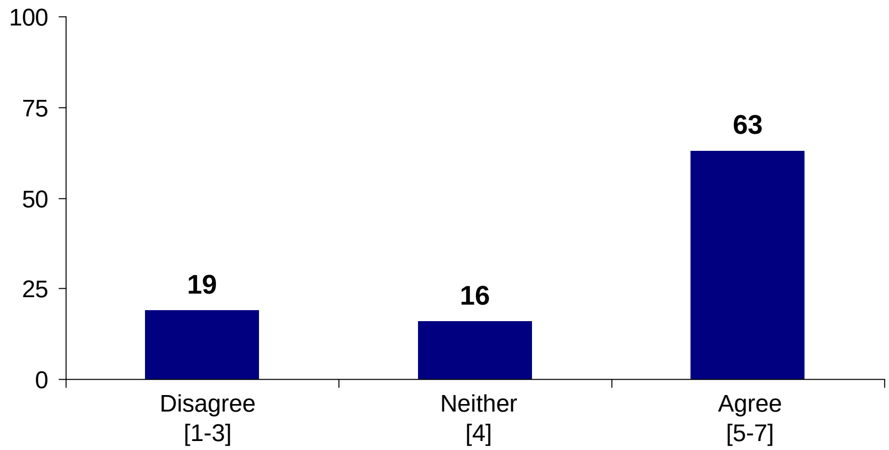
Comfort with this investment formula is especially high, with 73 per cent of Canadians agreeing – and only 10 per cent disagreeing – that it increases their confidence in the CPP.

The high level of agreement spans all demographic and regional groups, with only slight variations – for example, seniors, the university-educated, the self-employed and investors are all slightly above average in their agreement. It is also worth noting that there is no significant difference in agreement on this indicator between men and women; both are equally in favour of this strategy.

This positive finding is reinforced by the response of the Savvy, 81 per cent of whom say the investment strategy makes them more confident in the long-term health of the CPP. Only 8 per cent say it makes them less confident.

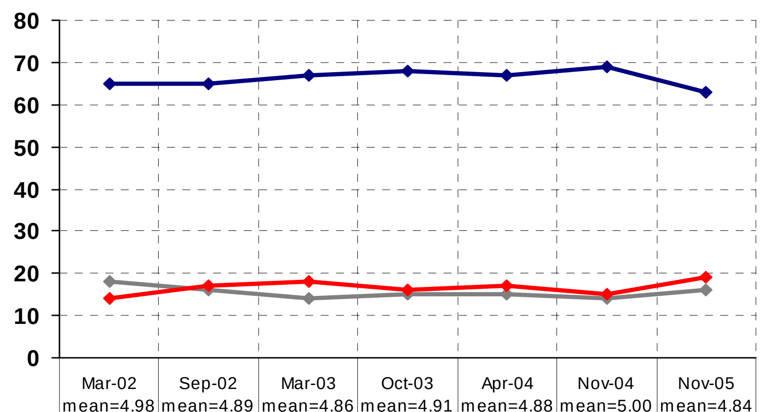
Figure 4.4 — Comfort with Stock-Bond Mix

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=1505} {DK/NR=2%}

Figure 4.4a — Tracking Comfort with Stock-Bond Mix



	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	Nov-05 mean=4.84
Agree (5-7)	65	65	67	68	67	69	63
Neither (4)	18	16	14	15	15	14	16
Disagree (1-3)	14	17	18	16	17	15	19

{Base: percentages}

Comfort with investing CPP assets in a stock - bond mix has dropped a little.

Since the beginning of the survey period, respondents were asked as part of the Confidence Index whether they would be okay investing a portion of CPP assets in the stock market if they knew that the rest of the assets were invested in other kinds of investments such as government bonds. (This was first asked at a time when CPP assets had only been invested in government securities.)[6]

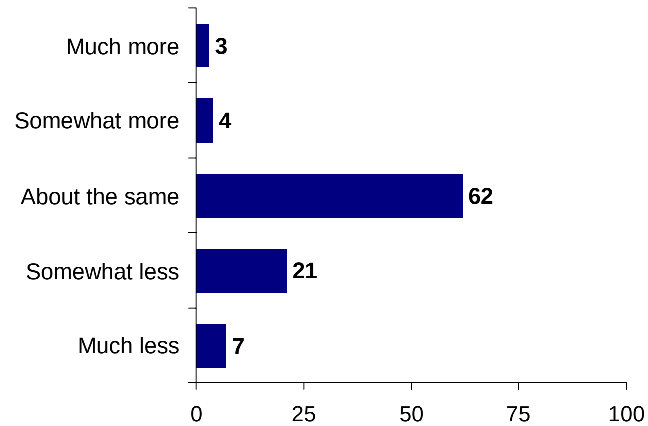
The response to this indicator in the latest tracking shows a slight decline in comfort levels. The proportion of Canadians who agree that they are "okay" with the idea has declined to 63 per cent, a little lower than in previous surveys. The proportion who disagree, at 19 per cent, is slightly higher than previously recorded.

As in the past, agreement is skewed toward particular demographic groups, being related to age, education and to some extent, income and investment. It is particularly noticeable that men are more likely to express comfort with stock-bond mixing than are women – 67 per cent vs. 59 per cent. This can be read as another indication of the risk aversion of women, particularly toward stocks.

[6] Research Note: Although the tracking chart shows a decline in this indicator, there may be a technical explanation. This indicator was randomly rotated within a battery that included the new indicator shown on the previous page. These results may therefore be reflecting a new comparison in which a stock - bond mix is being compared with a more fully diversified portfolio mix, a mix that results show is clearly preferred.

Figure 4.5 — Portfolio Comparison with Other Pension Funds

Q: A typical pension fund has approximately two-thirds of its assets invested in stocks. The other third is usually invested in things like bonds and real estate. Thinking about CPP assets, do you think that the portion invested in stocks should be more or less than the standard of two-thirds for other pension funds or should it be about the same?



{Base: all; percentages; n=1505} {DK/NR=3%}

TABLE 4.2: PORTFOLIO COMPARISON WITH OTHER PENSION FUNDS

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Much more	6*	2	3	3	2	3
Somewhat more	6	6*	3	2*	4	2
Somewhat less	24	21	13*	25*	21	19
Much less	6	4*	11*	9	8	5*
About the same	56	63	67*	58	61	66
DK/NR	2	3	4	3	4	4

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Much more	4	3	3	1*	3	4	4
Somewhat more	3	4	3	3	3	3	10*
Somewhat less	21	20	24	25*	19	19	17
Much less	7	8	9	8	10	7	5
About the same	63	61	58	59	63	64	61
DK/NR	2*	4*	3	4	2	4	3

There is wide agreement that the CPP should follow the customary practice of other pension funds by investing two-thirds of its assets in stocks, though some Canadians would like the stock allocation to be a little less.

To add a new measure of comfort with the CPP Investment Board's proposed asset allocation, a new indicator was introduced in this survey. It informed respondents that a typical pension fund has approximately two-thirds of its assets invested in stocks. The other third is usually invested in things such as bonds and real estate. Respondents were asked whether they think that the proportion of CPP assets invested in stocks should be more than, less than, or about the same as the two-thirds allocation that is standard for other pension funds.

A good majority, about two-thirds (62 per cent), believe that the stock allocation of CPP assets should be about the same as in other pension funds. Just 7 per cent think it should be higher; 21 per cent think it should be somewhat less and 7 per cent think it should be a lot less.

There are no clearly defined differences in the patterns of response to this indicator. For instance, both men and women, who often disagree on issues relating to stock investments, share the same opinion about the appropriate investment level.

The opinions of the Savvy and the general public are a match on this issue. The only significant divergence appears among those who believe that the CPP is heading in the wrong direction. A third of this group believe that the CPP should place a lower proportion of its investments in stocks than do other pension funds.

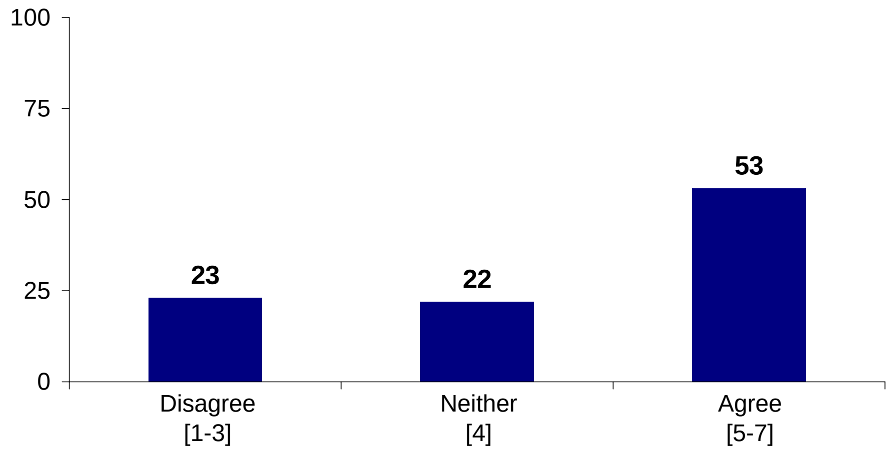
TABLE 4.3: PORTFOLIO COMPARISON WITH OTHER PENSION FUNDS

(percentages)

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Much more	5*	4	3	4	4	1*
Somewhat more	5	3	4	4	4	2
Somewhat less	19	23	20	19	18	24
Much less	9	6	9	7	10	6
About the same	57	61	63	63	61	64
DK/NR	5	3	1	4	3	2

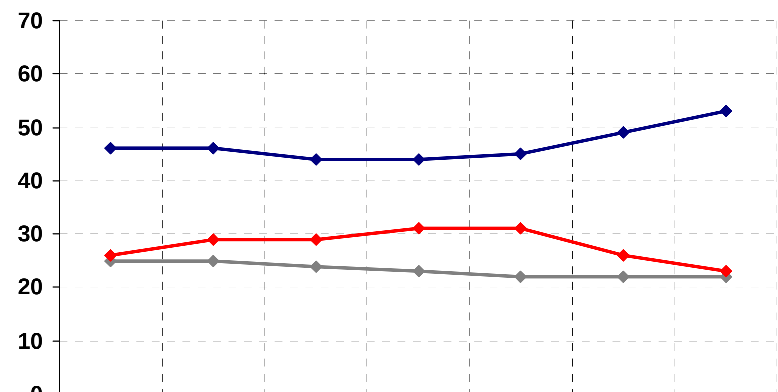
Figure 4.6 — Confidence in Long-term Stock Performance

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=1505} {DK/NR=2%}

Figure 4.6a — Tracking Confidence in Long-term Stock Performance



	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	Nov-05 mean=4.47
Agree (5-7)	46	46	44	44	45	49	53
Neither (4)	25	25	24	23	22	22	22
Disagree (1-3)	26	29	29	31	31	26	23

{Base: percentages}

The concept that long-term stock market gains will more than compensate for short-term losses is becoming more widely accepted.

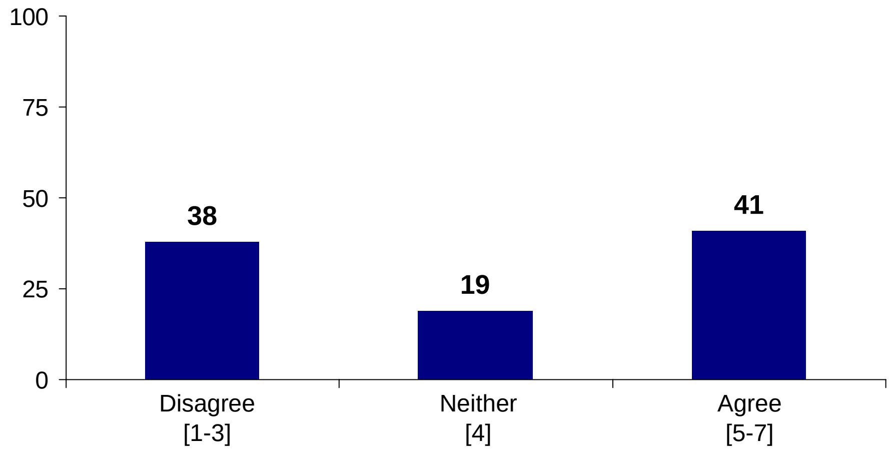
For the first time in the survey period, a majority of Canadians now agree with the proposition that although there may be occasional short-term losses if CPP assets were invested in stock markets, it wouldn't bother them because the gains will more than compensate over the next 20 years. In the latest reading, 53 per cent agree with this, compared with 23 per cent who disagree, also the lowest negative number recorded.

As might be expected, investors and those with RRSPs are significantly more likely to agree with this concept. Men are also more likely to agree (58 per cent) than are women (48 per cent), reflecting women's often noted aversion to financial risk.

As might be expected from their demographic characteristics, the Savvy are much more likely to agree with this proposition – 67 per cent endorse it, with just 16 per cent registering disagreement. Both percentages differ significantly from results obtained from the population at large.

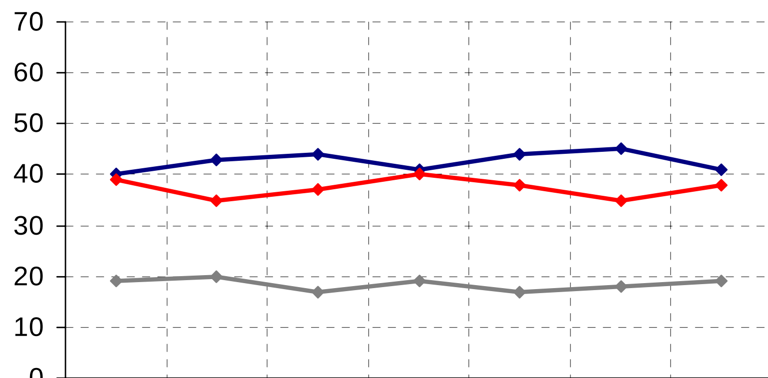
Figure 4.7 — Concern About Potential Stock Losses

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: half sample; percentages; n=757} {DK/NR=2%}

Figure 4.7a — Tracking Concern About Potential Stock Losses



	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	Nov-05 mean=4.11
Agree (5-7)	40	43	44	41	44	45	41
Neither (4)	19	20	17	19	17	18	19
Disagree (1-3)	39	35	37	40	38	35	38

{Base: percentages}

Opinion is still sharply split about whether it is a good idea to invest CPP assets in the stock market and risk losing a lot of money.

There are two almost evenly balanced sides in response to 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.[7]

In agreement are 41 per cent, which is slightly lower than in the past two trackings. Disagreement is at 38 per cent, three points higher than in the last tracking, which has resulted in a narrowing of the gap between the two camps in a positive direction.

As in the past, there is a sharp divergence of opinion on this issue between various demographic groups. For example, 57 per cent of people making less than $20,000 agree it is a bad idea to invest CPP assets in the stock market, compared with only 14 per cent who disagree.

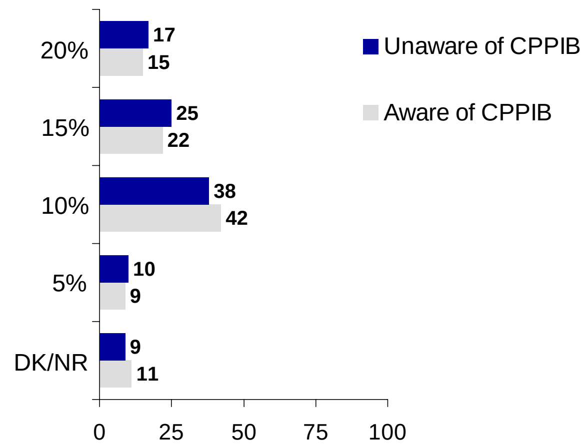
Again the most striking disagreement on this issue is between men – 47 per cent of whom disagree – and women – 46 per cent of whom agree – that it is a bad idea to risk CPP assets in the market because it might compromise future pension benefits.

However, among the Savvy, the lean is strongly against the proposition with 52 per cent disagreeing that investing CPP assets in the stock market is a bad idea.

[7] Research Note: A variation on this indicator was administered to half the sample. The proposition was that it is a bad ideas to invest a portion of CPP assets in the stock market because the CPP could lose a lot of money. In this starker form, slightly fewer (38 per cent) agree with the statement, while 40 per cent disagree, indicating that it is the CPP's potential inability to pay future pension benefits that increases concern about stock investments.

Figure 4.8 — Tolerance for CPP Swings (Percentage)

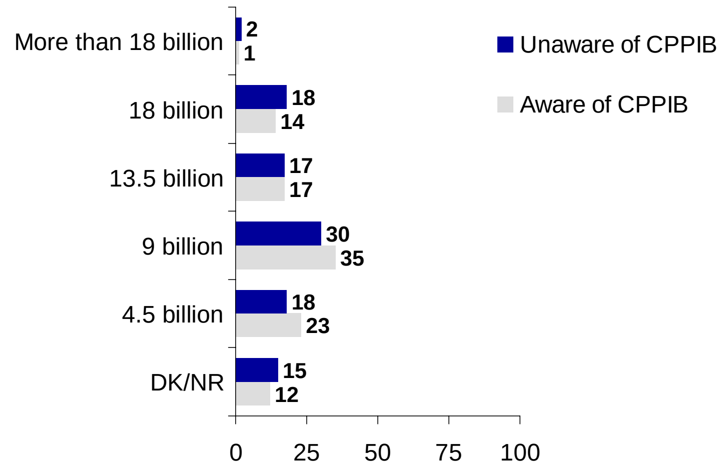
Q: There will be ups and downs in the performance of the CPP assets invested. As is normal for investments, there should be steady increases over the long term despite short-term swings. Thinking about these ups and downs as a percentage of CPP assets, at what point would you feel that the returns were swinging too much in any given year. Would it be if the total assets went up or down by…



{Base: split sample; percentages; aware of CPPIB, n=135; unaware of CPPIB, n= 217}

Figure 4.9 — Tolerance for CPP Swings (Dollar)

Q: As stated earlier, there are $90 billion in CPP assets. Thinking about these ups and downs in terms of the total amount of CPP assets, at what point would you feel that the returns were swinging too much in any given year. Would it be if total assets went up or down by…



{Base: split sample; percentages; aware of CPPIB, n=144; unaware of CPPIB, n= 231}

Tolerance for CPP Swings — Percentage and Dollar Amounts

The conventional wisdom is that a 10 per cent – or $9 billion – swing in CPP asset values in any given year would be grounds for concern.

In an attempt to quantify the size of swings in the value of CPP assets that the public might consider to be excessive, a new split-sample indicator was added in this year's tracking. Respondents were told that there will be ups and downs in the performance of invested CPP assets, and, as is normal for investments, there should be steady increases over the long term, despite short-term swings. Thinking about these ups and downs, they were asked at what point they would feel the returns were swinging too much in any given year. Half the respondents were asked to respond in terms of a percentage of assets and the rest in terms of dollar amounts.

The results, whether cast in percentage terms or in dollar amounts, are quite comparable. In the first group, of those who are aware of the CPP Investment Board, 42 per cent believe that a swing would become of concern at 10%, and 35 per cent in the second group say that a $9-billion swing would be the trigger point. In both groups, 10% or $9 billion is the most frequently suggested degree of swing (i.e., loss) that would raise concern.

It should be noted, however, that there is considerable tolerance for even greater swings. More than a third (37 per cent) could accept swings in excess of 10%, and 32 per cent are tolerant of swings in excess of $9 billion.

As a general rule, it is worth noting that swings expressed in percentages tend to be somewhat more acceptable than those expressed as dollar amounts.

There is quite remarkable consistency across all demographic and regional groupings as to what level of swing would be grounds for concern, a consistency even noted in the opinion of the Savvy who demonstrate only a very slightly increased tolerance over the general public in the amount of swing that would be acceptable.

TABLE 4.4: TOLERANCE FOR CPP SWINGS (PERCENTAGE)

(percentages)

	AGE					
	<25 (n=17)	25-34 (n=50)	35-44 (n=69)	45-54 (n=65)	55-64 (n=79)	65+ (n=65)
20%	17	19	15	19	14	14
15%	25	21	36*	22	15*	17
10%	51	48	28*	33	44	37
5%	0	6	11	9	6	23*
DK/NR	0	4	9	15*	19*	9

	GENDER		REGION				
	Male (n=178)	Female (n=171)	BC (n=77)	Alberta (n=33✦)	Prairies (n=31✦)	Ontario (n=187)	Atlantic (n=21✦)
20%	14	19	17	18	26	16	0
15%	27	21	26	26	24	23	25
10%	44*	35*	32	39	40	41	48
5%	9	11	10	13	8	9	17
DK/NR	6*	13*	15*	2	2	10	10

	INCOME					
	<$20K (n=27✦)	20-39K (n=52)	40-59K (n=52)	60-79K (n=53)	80-99K (n=36✦)	$100K+ (n=75)
20%	23	12	18	17	22	14
15%	30	26	15*	17	23	28
10%	23	40	39	46	38	47
5%	6	14	13	12	6	5
DK/NR	11	9	15	7	11	6

TABLE 4.5: TOLERANCE FOR CPP SWINGS (DOLLAR)

(percentages)

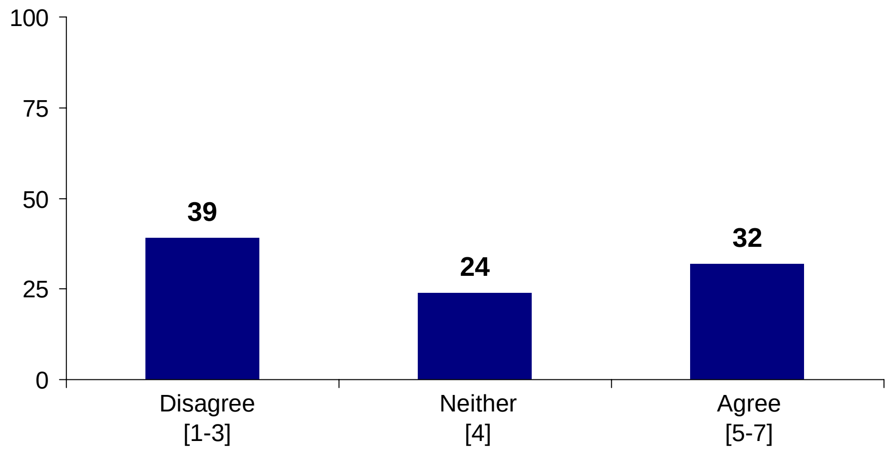
	AGE					
	<25 (n=24✦)	25-34 (n=39✦)	35-44 (n=67)	45-54 (n=92)	55-64 (n=76)	65+ (n=70)
More than $18 billion	0	0	0	5*	1	1
$18 billion	24	21	18	12	10	18
$13.5 billion	31	15	22	10*	19	3*
$9 billion	24	30	30	38	38	29
$4.5 billion	12	24	15	22	16	29*
DK/NR	9	10	16	14	16	20

	GENDER		REGION				
	Male (n=189)	Female (n=182)	BC (n=64)	Alberta (n=43✦)	Prairies (n=29✦)	Ontario (n=190)	Atlantic (n=45✦)
More than $18 billion	1	2	3	0	0	2	0
$18 billion	16	18	10*	27*	23	16	19
$13.5 billion	18	14	17	10	13	18	14
$9 billion	34	30	33	28	30	31	36
$4.5 billion	20	19	21	20	25	19	17
DK/NR	12	17	17	16	8	14	13

	INCOME					
	<$20K (n=35✦)	20-39K (n=60)	40-59K (n=66)	60-79K (n=39✦)	80-99K (n=49✦)	$100K+ (n=69)
More than $18 billion	0	0	3	5*	2	0
$18 billion	18	21	22	7*	18	14
$13.5 billion	15	5*	12	15	21	16
$9 billion	29	43	32	46	26	34
$4.5 billion	29	17	17	17	18	23
DK/NR	9	15	13	10	16	14

Figure 4.10 — Impact of Quarterly Losses on the CPP

Q: If the investment of CPP assets results in losses for more than a three-month period, the CPP is going to be in a lot of trouble.



{Base: all; percentages; n=1505} {DK/NR=4%}

TABLE 4.6: IMPACT OF QUARTERLY LOSSES ON THE CPP

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	43*	33	26*	26*	30	39*
Neither (4)	34*	29	25	23	20*	15*
Disagree (1-3)	23*	36	45*	48*	46*	38
DK/NR	1	3	4	2	5	8

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	27*	37*	32	31	35	32	33
Neither (4)	22*	27*	28	27	32*	22*	23
Disagree (1-3)	48*	31*	37	39	32*	42*	39
DK/NR	3	5	3	3	2	5	5

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	46*	38*	36*	31	25	20*
Neither (4)	21	28*	18*	27	27	23
Disagree (1-3)	29*	30*	41	40	45	56*
DK/NR	4	4	5	1	3	2

Savvy investors are not spooked by potential losses in CPP assets in a three-month period.

The CPP Investment Board is required to report its results each quarter, even though its investment mandate is to provide for pension enhancement over the very long term. There is always the danger that Canadians might panic on hearing about losses in the portfolio in the short term.

The findings of this survey suggest that such concerns can be kept in perspective. As a provocative proposition, respondents were asked whether they agree with the statement that if the investment of CPP assets results in losses for more than a three-month period, the CPP is going to be in a lot of trouble. Some people agree, but more don't.

While 32 per cent of the Canadian public thinks that losses for three months would add up to trouble for the CPP, 39 per cent disagree. There are also quite sharp swings on this issue among different demographic groups.

In this indicator as in others, women show themselves to be much more averse to risk than men are; 37 per cent of women agree that such losses would spell trouble, while 48 per cent of men do not.

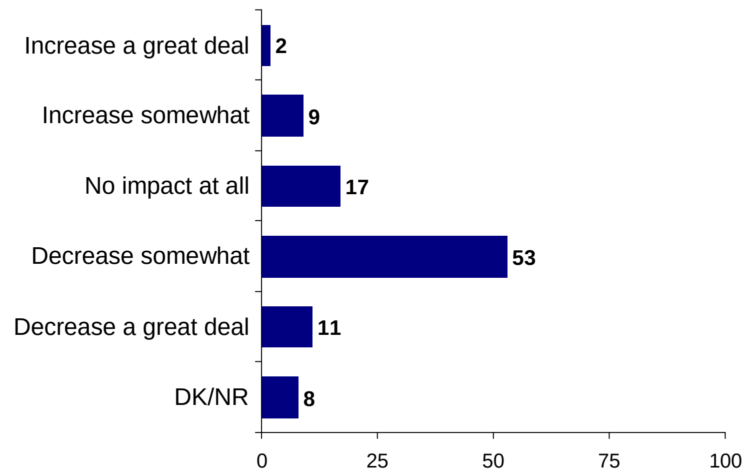
Lack of concern is also demonstrated by those working full-time, the self-employed, those with higher levels of education and large investors.

As a marker statistic, only 25 per cent of the Savvy agree that three-month losses would be of concern; 55 per cent do not see a quarterly loss as a matter for concern.

This indicator suggests that Canadians do tend to get it – undue worry about short-term losses might be overblown.

Figure 4.11 — Anticipated Impact of an Economic Downturn on the CPP

Q: If there is a downturn in the Canadian economy, what impact do you think this would have on the value of CPP assets? Would the value of CPP assets…



{Base: all; percentages; n=1505}

TABLE 4.7: ANTICIPATED IMPACT OF AN ECONOMIC DOWNTURN ON THE CPP

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Incr. great deal	2	2	2	1	2	2
Incr. somewhat	16*	13*	9	6*	6*	6*
Decr. somewhat	56	50	51	54	53	57
Decr. great deal	14	12	12	10	10	9
No impact	10*	16	17	18	21*	19
DK/NR	2*	7	9	11*	8	6

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Incr. great deal	2*	1*	2	2	2	2	1
Incr. somewhat	9	10	8	7	7	9	15*
Decr. somewhat	55	51	52	52	61*	54	47*
Decr. great deal	11	12	11	15	10	11	9
No impact	19*	15*	16	16	16	17	18
DK/NR	4*	11*	10*	9	4	6	10

The conventional wisdom is that a downturn in the Canadian economy would result in only a modest decrease in the value of CPP assets.

One issue of concern is whether the Canadian public is ready for the impact on CPP assets of a downturn in the Canadian economy. As a new indicator in this survey, respondents were asked, if there should be a downturn, what impact they think it would have on the value of CPP assets. The response is measured.

The expectation of slightly more than half the Canadian public (53 per cent) is that the value of the assets will decrease somewhat – but only 11 per cent expect them to decrease a great deal. In fact, 17 per cent don't expect any impact on their value at all, and another 11 per cent actually expect CPP assets to increase in value.

People with lower levels of education and non-investors expect more of a decrease in value, but these are in a distinct minority.

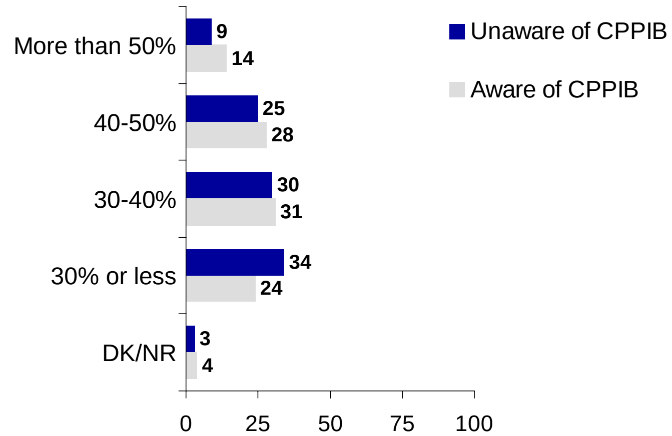
The Savvy mirror the general public in their expectations, though 59 per cent (compared with 53 per cent of the general public) expect the value of assets to decrease somewhat.

TABLE 4.8: ANTICIPATED IMPACT OF AN ECONOMIC DOWNTURN ON THE CPP
(percentages)

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Incr. great deal	3*	2	1	4*	0	0*
Incr. somewhat	12	8	7	11	8	9
Decr. somewhat	45*	55	55	57	49	58
Decr. great deal	13	10	14*	7*	15*	9
No impact	21	17	16	15	20	16
DK/NR	5	7	6	6	9	7

Figure 4.12 — Comfort with New Level of CPP Foreign Investment

Q: Until this year, Canadian pension funds were not allowed to invest more than 30% of their assets outside of Canada. This restriction has been eliminated and pension funds can now invest as much as they want outside of Canada if they feel it will improve investment returns. Given that 30% was allowed before, what level of investment outside of Canada would you be comfortable with the CPP Investment Board making? Would it be…



{Base: split sample; percentages; aware of CPPIB, n=279; unaware of CPPIB, n= 448}

Table 4.9: Comfort with New Level of CPP Foreign Investment

(percentages)

	AGE					
	<25 (n=41*)	25-34 (n=89)	35-44 (n=136)	45-54 (n=157)	55-64 (n=155)	65+ (n=135)
More than 50%	17	15*	8	9	10	4*
40-50%	12*	31	28	34*	31	17*
30-40%	33	26	26	27	32	40*
30% or less	36	23*	34	28	24*	38*
DK/NR	3	5	5*	2	1	1

	GENDER		REGION				
	Male (n=367)	Female (n=353)	BC (n=141)	Alberta (n=76)	Prairies (n=60)	Ontario (n=377)	Atlantic (n=66)
More than 50%	12*	8*	15*	10	14	9	2*
40-50%	29*	22*	25	31	19	28	18
30-40%	30	31	33	23	27	30	41*
30% or less	26*	35*	23*	34	40*	30	35
DK/NR	3	3	4	3	0	3	4

Canadians express a fair appetite for increasing the level of CPP investments outside Canada.

This is our first survey since the Foreign Property Rule was abolished and Canadian pension funds were allowed to invest any amount of their assets outside Canada. This change was made with very little prior public discussion so the new regime arrived without a lot of well-articulated opinion and debate.

To explain the background, respondents were informed that until this year, Canadian pension funds were not allowed to invest more than 30% of their assets outside Canada. It was explained that this restriction has been eliminated and pension funds can now invest as much as they want outside Canada if they feel it will improve investment returns. Given that 30% was allowed before, respondents were asked what level they would be comfortable with for CPP investments outside Canada.

As the chart on the opposite page shows, Canadians show considerable tolerance for substantial increases in out-of-Canada investments. Among those who are aware of the CPP Investment Board, almost three-quarters would be comfortable with more than 30% of CPP assets being invested outside the country. Only a quarter feel the proportion should remain at 30% or less.

As might be expected, there are quite sharp differences of opinion on this matter. Women are more likely to say that the funds should stay at home – 35 per cent want foreign investments to be less than 30%. On the other hand, 54 per cent of the self-employed would like to see more than 40% invested outside Canada, and 20 per cent of this group want more than 50% offshore.

The Savvy also tend to reflect an interest in greater overseas investment – one-third would like to see 40 to 50% outside Canada, and another 14 per cent would support greater than 50% offshore.

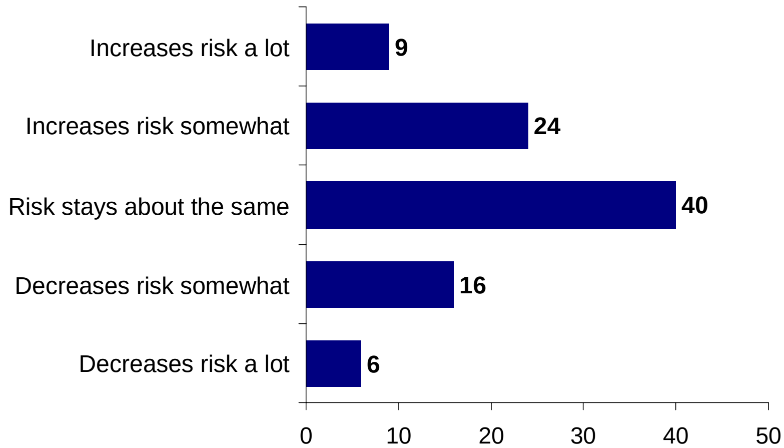
TABLE 4.10: COMFORT WITH NEW LEVEL OF CPP FOREIGN INVESTMENT

(percentages)

	INCOME					
	<$20K (n=62)	20-39K (n=112)	40-59K (n=118)	60-79K (n=92)	80-99K (n=85)	$100K + (n=144)
More than 50%	2*	10	6*	7	11	17*
40-50%	27	13*	33	34	25	31
30-40%	31	36*	35	29	36	22*
30% or less	38	38*	23	27	25	28
DK/NR	1	2	4	2	4	3

Figure 4.13 — Risk of CPP Foreign Investments

Q: CPP assets are invested both in Canada and in other parts of the world. Overall do you think that investing CPP assets outside of Canada increases or decreases the risk of losses, or does the risk stay about the same as if they were invested only in Canada? Would you say it…



{Base: all; percentages; n=1505} {DK/NR=4%}

TABLE 4.11: RISK OF CPP FOREIGN INVESTMENTS

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Incr. risk a lot	14*	10	9	5*	9	8
Incr. somewhat	29	23	24	23	22	27
Decr. somewhat	13	17	20*	20*	14	13
Decr. risk a lot	5	4	8*	8*	5	4
Risk stays same	38	43	38	39	45	42
DK/NR	2	4	2	5	5	6

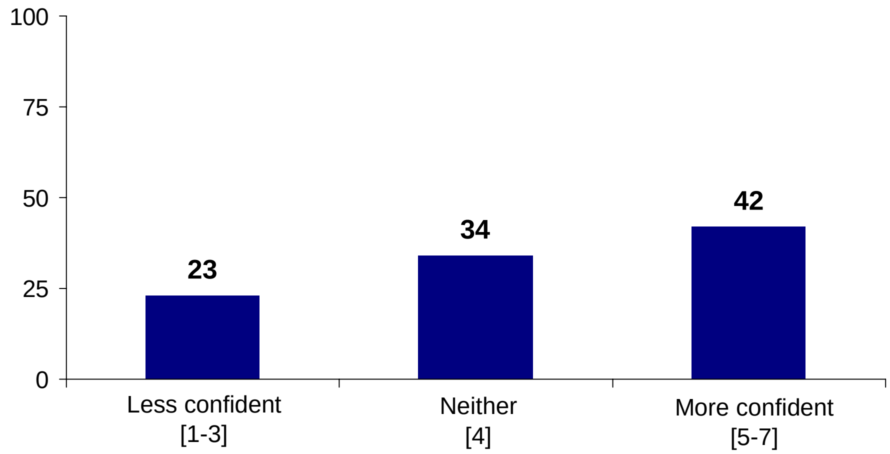
	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Incr. risk a lot	9	9	9	9	13	8	10
Incr. somewhat	22*	27*	26	23	25	23	30
Decr. somewhat	20*	13*	13	17	10*	19*	13
Decr. risk a lot	8*	4*	5	6	5	7*	2*
Risk stays same	38	42	45*	40	44	38*	41
DK/NR	3*	5*	2	5	3	4	4

TABLE 4.12: RISK OF CPP FOREIGN INVESTMENTS
(percentages)

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Incr. risk a lot	10	11	11	7	11	6*
Incr. somewhat	31*	25	25	27	19*	22
Decr. somewhat	13*	16	14*	14	18	25*
Decr. risk a lot	6	5	3*	7	8	8
Risk stays same	38	39	44*	43	42	36
DK/NR	3	4	4	1	2	4

Figure 4.14— Impact of Foreign Investments on Confidence in CPP

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



{Base: all; percentages; n=1505} {DK/NR=1%}

TABLE 4.13: IMPACT OF FOREIGN INVESTMENTS ON CONFIDENCE IN CPP

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
More (5-7)	33*	40	43	48	45	44
Neither (4)	33	38	33	32	35	35
Less (1-3)	33*	22	22	19	19	20

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
More (5-7)	50*	35*	43	46	33*	43	38
Neither (4)	31*	37*	34	36	38	34	31
Less (1-3)	19*	26*	22	17*	28	22	29*

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
More (5-7)	29*	35*	39*	44	51*	52*
Neither (4)	38	34	36	36	31	35
Less (1-3)	31*	29*	24*	19	18	12*

Overall, the investment of CPP assets outside Canada boosts confidence in the CPP.

When asked whether the fact that CPP assets are being invested outside Canada makes them more or less confident about the long-term health of the Canada Pension Plan, 42 per cent of Canadians say it makes them feel more confident. This is almost twice as many as say these investments lower their confidence in the CPP.

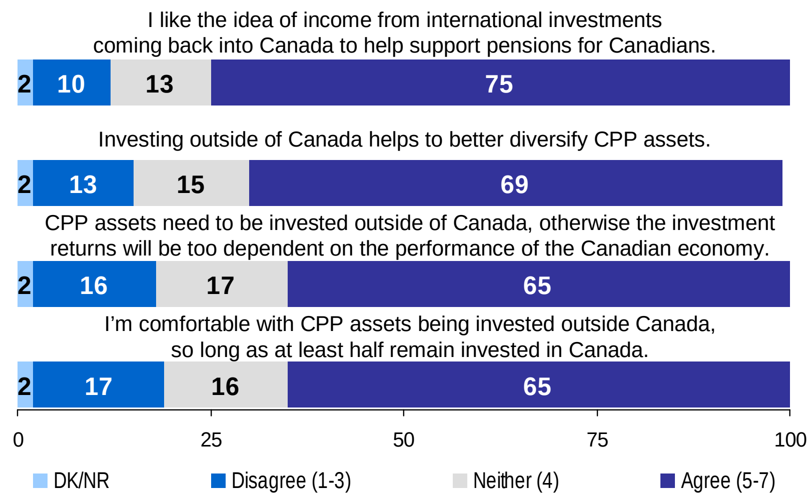
In virtually all regional and demographic segments there is a marked lean toward increased confidence as a result of these investments – in some segments quite a sharp lean. For example, 50 per cent of men say they have increased confidence, while 19 per cent have less. The margin is closer in the case of women with 35 per cent saying they are more confident and 26 per cent saying they are less confident.

In general, confidence tends to increase with education, income, investor status and self-employment.

This lean is reflected in the opinion of the Savvy, 54 per cent of whom say that investments outside Canada increase their confidence in the CPP, while only 17 per cent say they decrease their confidence.

Figure 4.15 — Attitudes Toward CPP Foreign Investments

Q: Please tell me how strongly you agree or disagree with each of the following statements.



{Base: all; percentages; n=1505}

TABLE 4.14: I LIKE THE IDEA OF INCOME FROM INTERNATIONAL INVESTMENTS…

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	73	77	73	76	81*	74
Neither (4)	10	15	16*	13	7*	12
Disagree (1-3)	15*	6*	11	10	11	9
DK/NR	2	1	0	1	1	4

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	78*	73*	75	76	75	76	71
Neither (4)	11*	15*	12	14	12	12	19*
Disagree (1-3)	10	10	10	9	11	11	10
DK/NR	1	2	3	1	2	2	0

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	67*	71*	76	77	83*	80
Neither (4)	13	14	11	14	13	13
Disagree (1-3)	16*	14*	12	9	3*	7
DK/NR	5	1	1	1	1	0

TABLE 4.15: INVESTING OUTSIDE OF CANADA HELPS TO BETTER DIVERSFY…

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	65	69	69	77*	74	64*
Neither (4)	19	19	16	11*	12	15
Disagree (1-3)	15	10	14	10	13	15
DK/NR	1	2	1	2	1	6

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	74*	65*	68	70	66	71	69
Neither (4)	13*	18*	16	18	17	13*	18
Disagree (1-3)	11*	15*	13	10	17	13	12
DK/NR	2	3	3	1	1	3	1

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	57*	58*	73	74	84*	78*
Neither (4)	15	25*	12	13	10*	14
Disagree (1-3)	21*	15*	14	12	5*	8*
DK/NR	6	2	1	1	1	0

TABLE 4.16: CPP ASSETS NEED TO BE INVESTED OUTSIDE OF CANADA…

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	56*	67	69	72*	66	62
Neither (4)	22*	17	16	12*	18	16
Disagree (1-3)	20	14	14	15	14	19
DK/NR	2	1	1	1	2	4

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	68*	63*	67	67	55*	66	66
Neither (4)	14*	19*	16	16	27*	15*	19
Disagree (1-3)	17	15	15	15	16	17	15
DK/NR	2	2	2	2	1	2	1

TABLE 4.17: CPP ASSETS NEED TO BE INVESTED OUTSIDE OF CANADA…

(percentages)

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	49*	62*	63	71	77*	73*
Neither (4)	23*	20*	15	15	12	15
Disagree (1-3)	22*	16	21*	14	10*	12*
DK/NR	6	1	1	0	1	0

TABLE 4.18: I'M COMFORTABLE WITH CPP ASSETS BEING INVESTED OUTSIDE OF CANADA…

(percentages)

	AGE					
	<25 (n=99)	25-34 (n=220)	35-44 (n=297)	45-54 (n=315)	55-64 (n=273)	65+ (n=284)
Agree (5-7)	59	60*	67	67	70	69
Neither (4)	18	22*	18	14	13*	12*
Disagree (1-3)	21	17	15	17	17	16

	GENDER		REGION				
	Male (n=739)	Female (n=766)	BC (n=259)	Alberta (n=202)	Prairies (n=140)	Ontario (n=753)	Atlantic (n=151)
Agree (5-7)	65	66	65	68	57*	65	70
Neither (4)	18	15	18	14	20	16	12
Disagree (1-3)	16	18	16	17	21	17	17

	INCOME					
	<$20K (n=142)	$20-39K (n=250)	$40-59K (n=253)	$60-79K (n=186)	$80-99K (n=154)	$100K+ (n=276)
Agree (5-7)	59*	61*	73*	65	63	70
Neither (4)	14	16	11*	19	20*	15
Disagree (1-3)	25*	22*	15	15	16	14

Chapter 5
Reputation of the CPP Investment Board

This is the third tracking survey to measure the Reputation of the CPP Investment Board (CPPIB) and to combine these findings as a composite index, as reported in the first chapter.

The components of the Index were compiled around the mandate of the CPPIB so that they would reflect aspects of its work that were considered to be important to achieving its objectives.

Awareness of the CPP Investment Board is increasing only slowly. As a result the majority of respondents have never heard of the CPPIB, and they are excluded from questioning about its reputation. Consequently, it is not possible to report detailed demographic findings for a number of the indicators included in this section. However, numbers are sufficient to report top-line findings with confidence and these are shown in this chapter.

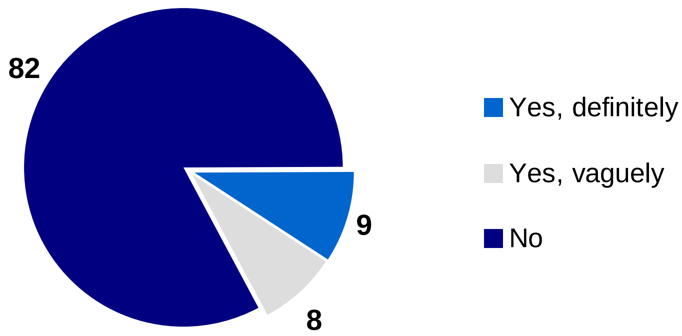
It is also worth noting that a majority of the Savvy are now aware of the CPPIB, albeit after some prompting. As this group is an important constituency their ratings are highlighted.

The indicators included in this chapter are:

- Awareness of the CPP Investment Board
- Media reports about the CPPIB: Recall and direction
- CPPIB reputation:
  - ≈ Overall impression
  - ≈ Performance
  - ≈ Trust in CPPIB investment professionals
  - ≈ Belief in the CPPIB
- Measuring the success of the CPPIB

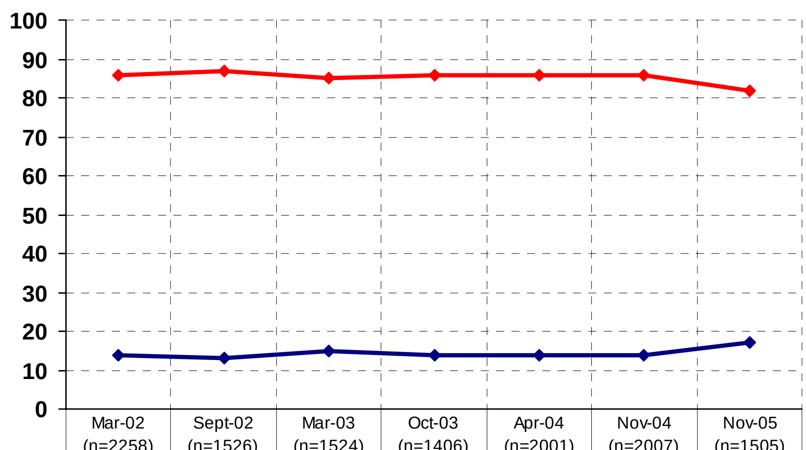
Figure 5.1— Awareness of the CPP Investment Board

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



{Base: all; percentages; n=1505} {DK/NR=1%}

Figure 5.1a— Tracking Awareness of the CPP Investment Board



	Mar-02 (n=2258)	Sept-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=1406)	Apr-04 (n=2001)	Nov-04 (n=2007)	Nov-05 (n=1505)
Yes	14	13	15	14	14	14	17
No	86	87	85	86	86	86	82

{Base: all; percentages}

Among the Savvy, unprompted awareness of the CPP Investment Board is still limited to a minority, though on prompting, about half of the group are now aware of it.

On an unprompted basis, awareness of the CPP Investment Board (CPPIB) is still limited to a minority of Canadians – 9 per cent have definitely heard of it, and another 8 per cent think they have heard of it, a number that has increased just slightly in the past year.

Among the Savvy, the segment of Canadian society that might be most expected to have heard of the Investment Board, 17 per cent say they have definitely heard of it on an unprompted basis, and another 9 per cent are vaguely aware of it, for a total of 26 per cent. This number is increasing, but it is still some distance from making the CPPIB a household word.

As a prompt, respondents who said they had not heard of the CPP Investment Board, or who were only vaguely aware of it, were read the following descriptive statement:

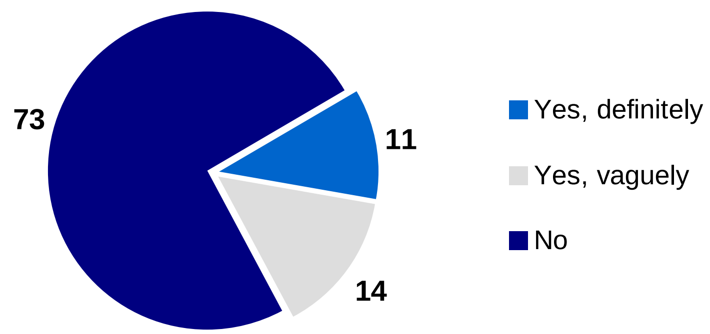
"The Canada Pension Plan Investment Board (or CPP Investment Board) is a Crown corporation responsible for managing a portion of the Canada Pension Plan assets. The Investment Board is run by experienced investment professionals recruited from the private sector, and they operate at arm's length from the government. The earnings they obtain on investing CPP assets will be used to help ensure the long-term health of the CPP."

After listening to this statement, these respondents were again asked if they recalled hearing about the CPP Investment Board. In response, after this prompting, 12 per cent of the general public definitely recall hearing about the Investment Board, while another 13 per cent vaguely recall it, bringing the total unprompted and prompted awareness of the Investment Board to 32 per cent of the Canadian adult population, still a minority but one that is definitely increasing.

Of particular significance, after the prompting noted above, 47 per cent of the Savvy are aware of the CPP Investment Board, which is a respectable awareness for an institution that maintains a fairly low-key institutional presence. In sum, the activities of the Investment Board are not going to go unnoticed!

Figure 5.2— Recall of Media Reports

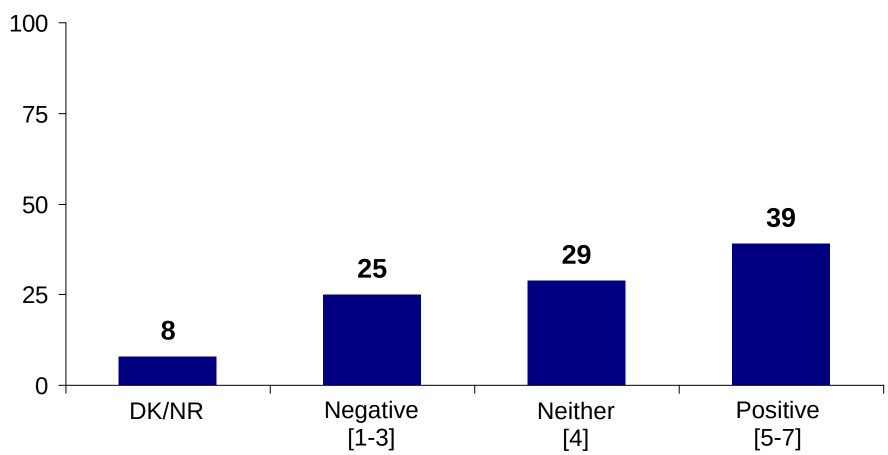
Q: Over the past six months or so, do you recall any media reports about the CPP Investment Board?



{Base: aware of CPP Investment Board; percentages; n=475}

Figure 5.3 — Direction of Media Reports

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



{Base: those recalling media reports; percentages; n=123}

Recall of media reports about the CPP Investment Board remain stable at a rather low level, and the ratio of positive to negative reports remains quite favourable.

Almost a quarter of Canadians who are aware of the CPPIB recall a report in the media about it within the previous six months or so – 11 per cent definitely, and another 14 per cent vaguely. These figures are very similar to those reported in previous surveys.

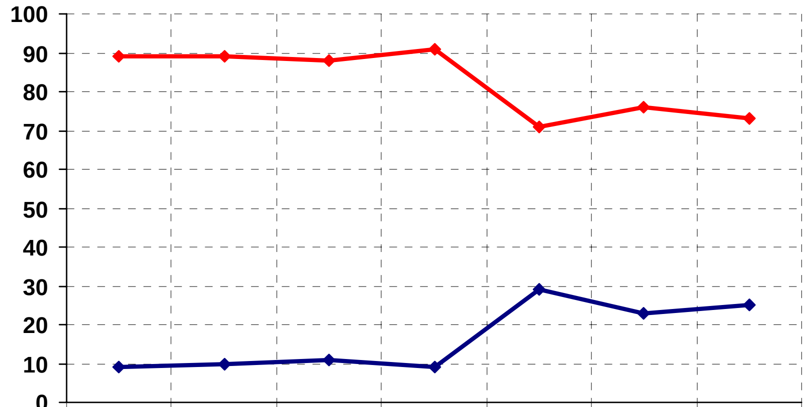
Rather surprisingly, media recall by the Savvy is only a little higher than among the total population, with a 14 per cent definite recall and another 15 per cent vague recall.

As in the past, the pattern of the recall reflects the inherent skews noted in other indicators – more frequent among men and those with higher education, income and investments – though it is also worth noting that recall of media reports is higher in Ontario, the home base of the CPP Investment Board, than in other parts of the country.

Recollection of the spin on the most recent media report is generally favourable, with 39 per cent recalling a positive tone, compared with 25 per cent who recall a negative story. This is very similar to previous survey results.

As an upbeat finding, the Savvy have a more favourable recollection, with 43 per cent saying that the latest report was positive, while just 17 per cent say it was negative.

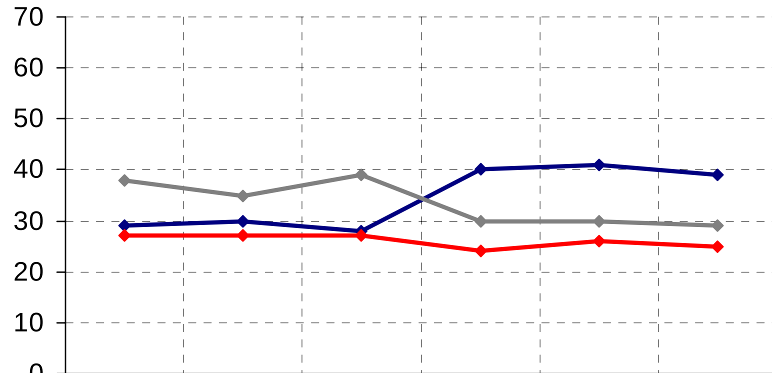
Figure 5.2a— Tracking Recall of Media Reports



	Mar-02 (n=238)	Sept-02 (n=1526)	Mar-03 (n=1524)	Oct-03 (n=1406)	Apr-04 (n=558)	Nov-04 (n=566)	Nov-05 (n=475)
Yes	9	10	11	9	29	23	25
No	89	89	88	91	71	76	73

{Base: all; percentages}

Figure 5.3a — Tracking Direction of Media Reports

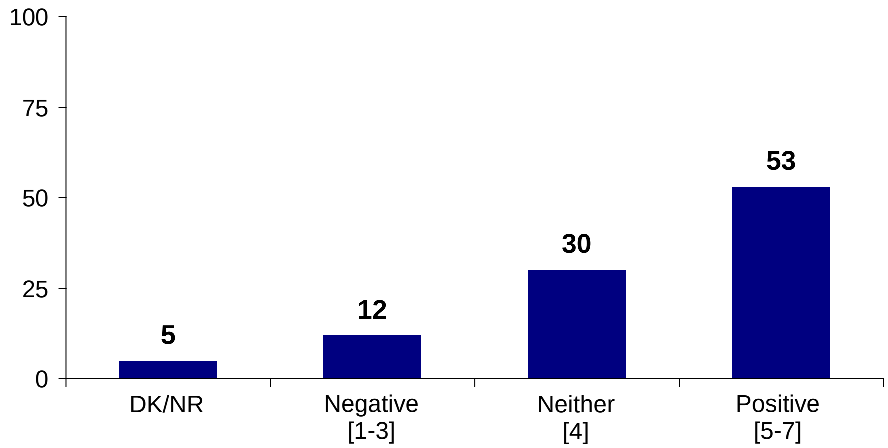


	Sept-02 (n=149)	Mar-03 (n=172)	Oct-03 (n=134)	Apr-04 (n=161)	Nov-04 (N=140)	Nov-05 (n=123)
Positive (5-7)	29	30	28	40	41	39
Neither (4)	38	35	39	30	30	29
Negative (1-3)	27	27	27	24	26	25

{Base: percentages}

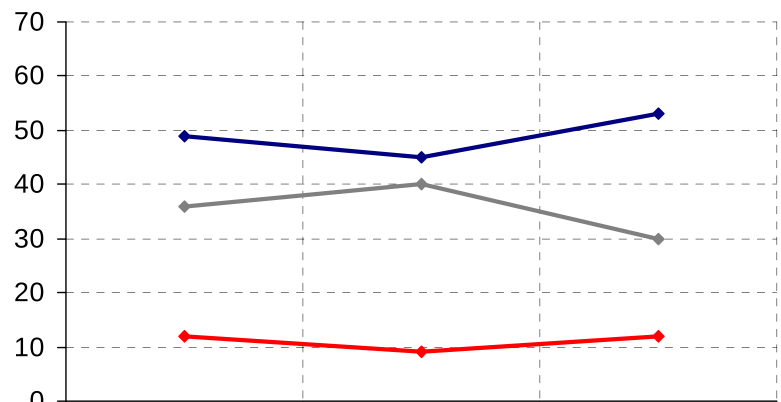
Figure 5.4 — Reputation: Overall Impression

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



{Base: aware of CPPIB; percentages; n=270}

Figure 5.4a — Tracking Reputation: Overall Impression



	Apr.-04 mean=4.56	Nov-04 mean=4.63	Nov-05 mean=4.61
Positive (5-7)	49	45	53
Neither (4)	36	40	30
Negative (1-3)	12	9	12

{Base: percentages}

Canadians' overall impression of the CPP Investment Board remains overwhelmingly positive.

At the time of the last tracking in 2004, we noted a slight decline in the overall impression of the CPP Investment Board, embattled as it was at that time by advocates for social investments. With the quieting of that issue, 53 per cent of Canadians who are aware of the Investment Board are positive in their current assessment, the highest level recorded to date.[8]

At the other end of the scale, just 12 per cent have an unfavourable impression, including a fair number of those who believe that the CPP is on the wrong track for whatever reason.

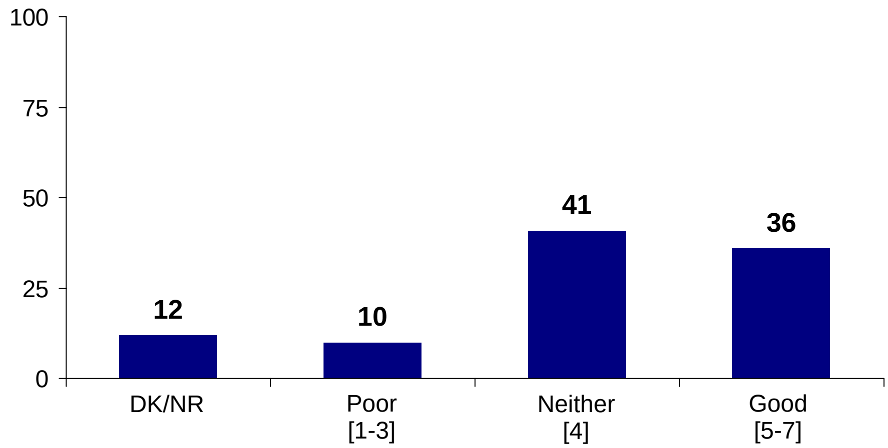
The number of respondents in each demographic segment is generally too small to allow a detailed analysis, but the favourable balance of opinion tends to extend across all regional and demographic groups.

Among the Savvy, the favourable skew is even more pronounced than among the general public, with 59 per cent holding a good overall impression of the Board, compared with just 10 per cent who have an unfavourable impression.

[8] Research Note: This indicator is included in the Reputation Index.

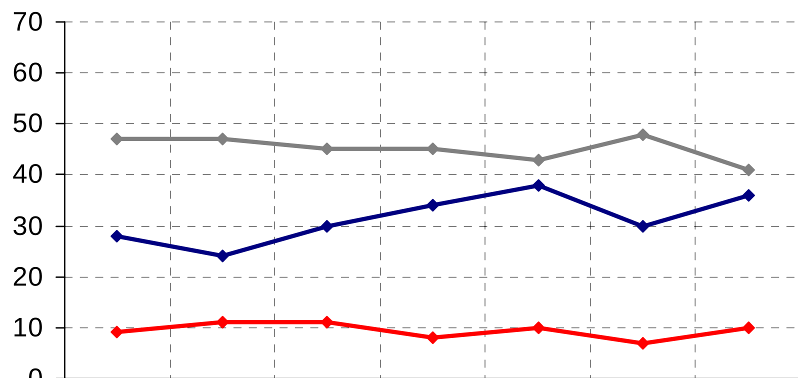
Figure 5.5 — Reputation: Performance

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



{Base: aware of CPPIB; percentages; n=270}

Figure 5.5a — Tracking Reputation: Performance



	Mar-02 mean=4.30	Sep-02 mean=4.18	Mar-03 mean=4.32	Oct-03 mean=4.40	Apr-04 mean=4.41	Nov-04 mean=4.36	Nov-05 mean=4.44
Good (5-7)	28	24	30	34	38	30	36
Neither (4)	47	47	45	45	43	48	41
Poor (1-3)	9	11	11	8	10	7	10

{Base: percentages}

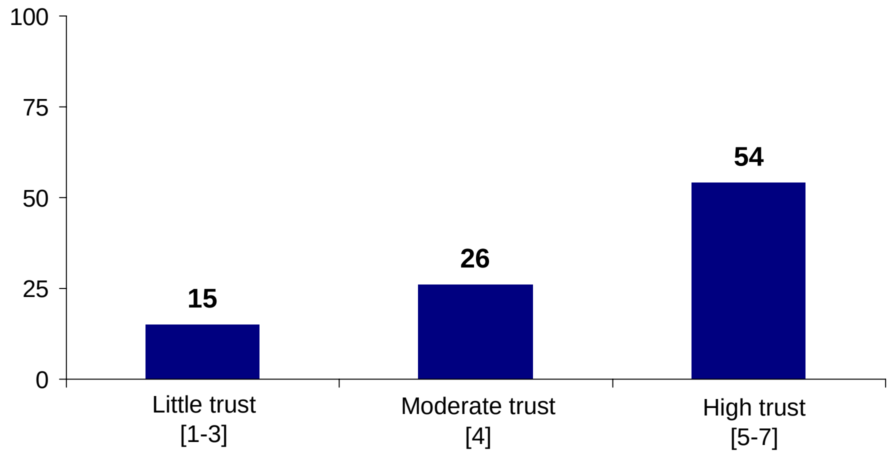
The rating of the CPP Investment Board's performance has bounced back from its slight drop last year.

The latest rating shows a reversal in that trend, with 36 per cent now giving the CPP Investment Board a good rating for its performance, compared with just 10 per cent who say its performance is poor.

It is encouraging to note that the Savvy, no doubt reflecting the opinion of the demographic segments in which they are over-represented, are more positive than the general public – 43 per cent rate the Investment Board's overall performance as good, and just 10 per cent say it is poor.

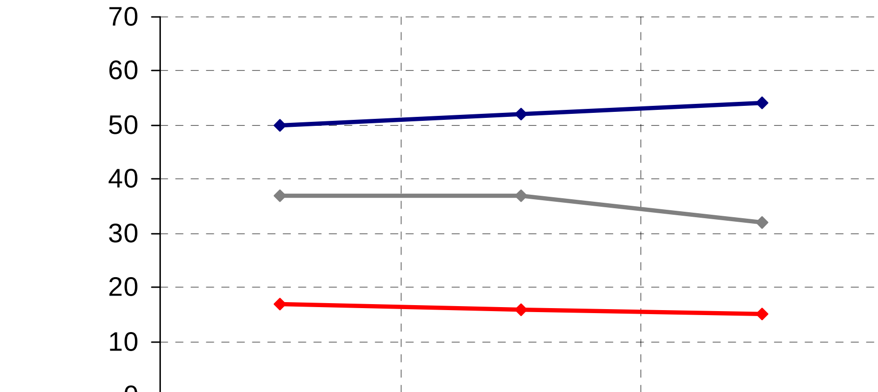
Figure 5.6 — Reputation: Trust in Investment Professionals

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; n=270} {DK/NR=4%}

Figure 5.6a — Tracking Reputation: Trust in Investment Professionals



	Apr.-04 mean=4.45	Nov-04 mean=4.52	Nov-05 mean=4.66
High (5-7)	50	52	54
Moderate (4)	37	37	32
Little (1-3)	17	16	15

{Base: percentages}

CPPIB Reputation: Trust in CPPIB Investment Professionals

A majority of Canadians have high trust in the CPP Investment Board's investment professionals, and their numbers are growing.

Another of the indicators included in the Reputation Index measures the public's trust that the CPP Investment Board's professionals are doing what's best for the long-term health of the CPP. As is the case with the other indicators in this set, it is asked only of those people who are aware of the Investment Board.[9]

Each measurement since the first in April 2004 shows an increase in the number of Canadians who express a high level of trust in these investment professionals, with 54 per cent now in the high-trust category, and just 15 per cent expressing low trust.

The numbers of respondents in demographic segments are mostly too small to produce reliable data, but it is encouraging to note that the Savvy are even more likely than average Canadians to express high trust in the Board's professionals. Two-thirds of the Savvy (64 per cent) say they have high trust that the investment professionals are doing what's best for the CPP, compared with just 14 per cent who have low trust in their activities.

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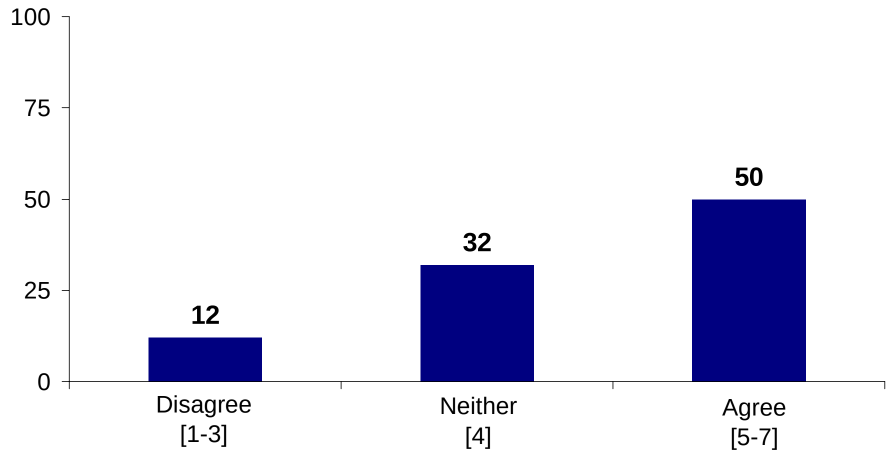
[9] Research Note: This indicator is included in the Reputation Index.

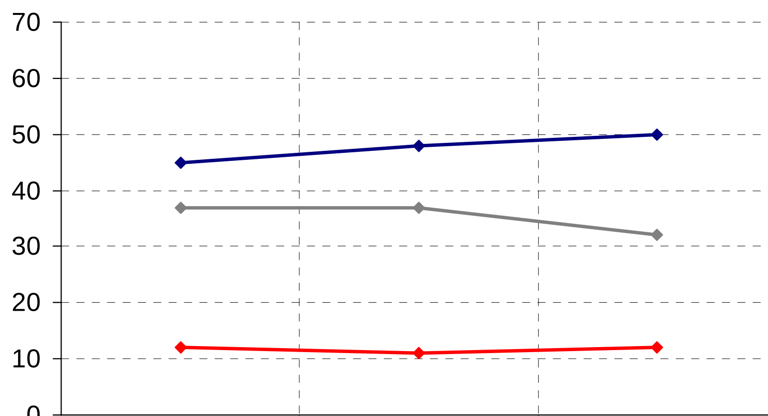
Figure 5.7 — Reputation: Belief in the CPP Investment Board

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



{Base: aware of CPPIB; percentages; n=270} {DK/NR=5%}

Figure 5.7a — Tracking Reputation: Belief in the CPP Investment Board



	Apr.-04 mean=4.52	Nov-04 mean=4.59	Nov-05 mean=4.67
Agree (5-7)	45	48	50
Neither (4)	37	37	32
Disagree (1-3)	12	11	12

{Base: percentages}

Believers in what the CPP Investment Board is doing heavily outnumber disbelievers.

Among Canadians who are aware of its activities, the number who support what the CPP Investment Board is doing continues to grow. One-half now place themselves in that category, while just 12 per cent disagree with its activities.[10]

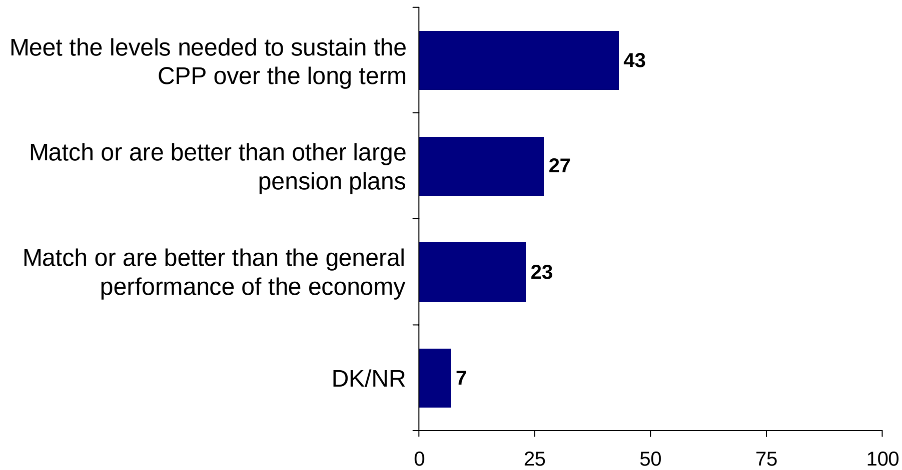
Interestingly, there are no regional skews in this pattern of agreement, and only the usual demographic skews, with agreement being higher among men, the pre-retirement age group and investors.

The Savvy are also significantly more likely to agree with the Investment Board's role – 61 per cent are on-side, compared with just 10 per cent who disagree with what it is doing.

[10] Research Note: This indicator is included in the Reputation Index.

Figure 5.8 — Measuring the Success of the CPP Investment Board

Q: In your opinion, which of the following do you feel is the best measure of success for the CPP Investment Board? The investment returns…



{Base: aware of CPPIB; percentages; n=270}

TABLE 5.1: MEASURING THE SUCCESS OF THE CPP INVESTMENT BOARD

(percentages)

	AGE					
	<25 (n=6✦)	25-34 (n=23✦)	35-44 (n=42✦)	45-54 (n=53)	55-64 (n=72)	65+ (n=69)
…than economy	31	21	17	28	25	23
… than other PP	18	32	32	24	32	22
Meet levels	51	43	42	41	39	47
DK/NR	0	4	10	6	4	7

	GENDER		REGION				
	Male (n=177)	Female (n=93)	BC (n=58)	Alberta (n=28✦)	Prairies (n=20✦)	Ontario (n=142)	Atlantic (n=22✦)
…than economy	23	23	28	39	11	22	12
… than other PP	27	27	25	24	32	27	32
Meet levels	43	42	41	28	57	44	51
DK/NR	6	8	6	10	0	8	5

	INCOME					
	<$20K (n=21✦)	$20-39K (n=44✦)	$40-59K (n=40✦)	$60-79K (n=31✦)	$80-99K (n=28✦)	$100K+ (n=65)
…than economy	25	16	26	20	35	24
… than other PP	28	18*	18*	31	26	37
Meet levels	44	49	51	46	39	38
DK/NR	3	17*	6	3	0	1

The main yardstick of success for the CPPIB is to sustain the CPP over the long term.

A new indicator in this year's survey asked Canadians who are aware of the CPP Investment Board to select from a list what they consider to be the best measure of success for the Board. The chart on the opposite page shows the results of this selection.

Most frequently selected – by 43 per cent – is the measure that the investment returns achieved by the CPPIB would meet the levels needed to sustain the CPP over the long term.

The second most frequently selected yardstick – by 27 per cent – is that the investment returns would match or be better than those achieved by other large pension plans. The third option – chosen by 23 per cent – would be that they match or be better than the general performance of the Canadian economy.

Interestingly, there are no clear skews among regional or demographic groups in these selections. Even the Savvy show no difference in their choice of yardstick to measure success.

One conclusion to be drawn from these findings is that Canadians want the CPP Investment Board to keep its eye on its mandate.