



## Long Term Sustainability of Canada Pension Plan Reaffirmed Media Backgrounder

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### Introduction

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The Chief Actuary of Canada conducts a financial review of the Canada Pension Plan (CPP) every three years. In his latest triennial review completed in November 2010, the Chief Actuary reaffirmed that the CPP remains sustainable at the current contribution rate of 9.9% throughout the 75-year period of his report.

The CPP Investment Board (CPPIB) invests the assets of the Canada Pension Plan not required to pay current benefits. Our mandate is to help sustain the pensions of over 17 million CPP contributors and beneficiaries through the disciplined global investment of CPP assets.

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### Overview

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The CPP Investment Board is dedicated to seeking the investment returns that will help keep the CPP sustainable for generations. With a long-term investment horizon, we have the capabilities to manage a global broadly diversified and actively managed portfolio to create long-term benefits for Canadians.

The CPPIB was created as part of the reforms of 1997. By 1996, it was clear the CPP was unsustainable. That year, the CPP paid out more in benefits (\$17 billion) than it received in contributions (\$11 billion), and Canada's Chief Actuary projected that without changes, the plan's reserve fund would be depleted by 2015. A contribution rate of more than 14% would be necessary by 2030, effectively forcing future generations to fund current pension obligations.

In February 1997 the provinces and the federal government reached agreement on major reforms to the CPP, to reflect the changing demographics in Canada. The reforms included the creation of the CPPIB to manage the assets of the CPP Fund in the best interests of contributors and beneficiaries. CPPIB's goal is to increase the long-term value of the CPP Fund to help sustain the CPP for the benefit of 17 million Canadians.

The CPP Fund has grown from \$36.5 billion held entirely in government bonds in 1997, to the current \$153.2 billion broadly diversified and actively managed global portfolio.

The Chief Actuary's triennial report in late 2010 reaffirmed the long-term sustainability of the Canada Pension Plan.

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## Chief Actuary's Report

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Every three years the Chief Actuary of Canada reviews the financial state of the CPP and projects its financial health over the next 75 years. The Chief Actuary released his latest triennial review in late 2010, dated as at December 31, 2009.

Chief Actuary's report takes into account the increasing number of baby-boomers who are entering retirement in the coming years, and the decreasing number of working Canadians who will be contributing to the plan in future years.

The report states that, despite the projected higher benefit expenditures due to an aging population, the Plan is expected to meet its obligations and remain financially sustainable over the long term at current levels of contribution and benefits.

Excess contributions and investment income are combining to build an asset base from which future generations will be able to draw retirement benefits. Total assets are expected to grow from \$153 billion today, to \$275 billion by the end of 2020.

Assets will continue to grow after 2020, but at a slower pace as a small portion of investment income will be used to help pay Canadians' pensions. Even with those payments, the CPP Fund is expected to grow to \$465 billion by 2030.

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*"Our goal has been to build an organization that will endure for generations, that can invest successfully in global markets, and meet not just today's challenges but be positioned to manage the Fund as it grows."*

David Denison, President and Chief Executive Officer, CPP Investment Board

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## By The Numbers

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75+ years	CPP is sustainable for 75 years and beyond, according to the latest report of the Chief Actuary of Canada.
10 years	The number of years before any investment income is needed to help pay pensions (2021)
\$153.2 billion	Assets of the CPP Fund as of June 30, 2011
\$275 billion	Projected assets of the CPP Fund by 2020
\$465 billion	Projected assets of the CPP Fund by 2030
17 million	Number of Canadians who participate in the CPP