Principles and Practices

CPP Investment Board

Canada Pension Plan Investment Board:

Principles and Practices of Governance for Public Pension Funds

Remarks by

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It's a pleasure for me to attend this first-ever global conference on public pension fund management. I congratulate the World Bank for its leadership in bringing together interested parties from around the world so that we can share ideas and learn from each other's experiences.

As we look at the demographics of our respective countries … we face a common challenge: How to secure a state-supported pension to keep the most financially vulnerable in society out of poverty in their retirement years?

The challenge is underscored by the hard truth that the pensioner population is expanding rapidly relative to the working population.

I think you will find Canada's response to this challenge an instructive one. We are still in the early years of implementing our solution. But enough has been accomplished to suggest a direction and some ideas that you might find useful.

I have been asked to discuss the principles for the effective governance of public pension funds based on the Canadian experience.

I will first provide background on our state-sponsored pension plan so that you can understand any parallels with your own plan.

I will outline the approach Canada has adopted to secure the long-term financial viability of its pension plan partly by investing in capital markets.

I will discuss briefly how we invest in capital markets.

And I will review our governance principles as they relate to professional competence, independence from political interference, and protection of assets from theft and corrupt practices.

Let’s begin, however, with a little background on Canada’s public pension system.

Canada is a federated state. We have a central national government, 10 provincial governments, and three territorial governments.

The provinces have considerable powers and responsibilities and share some of them with the federal government. One responsibility that they share is sponsorship of a public pension plan.

Consequently, the Canada Pension Plan is the joint responsibility of the federal government and nine provinces. The tenth province, Quebec, has it own plan.

The Canada Pension Plan was created by the federal and provincial governments in 1966 as a pay-as-you-go scheme that is indexed to inflation. It is a mandatory plan. All employees and their employers must contribute.

The Canada Pension Plan was not designed to be fully funded. Instead, the idea was that each generation would pay the pensions of the previous generation.

That made sense 30 years ago. The number of Canadians over 70, the retirement age in those days, was small relative to the working population.

Over the next 30 years, the Canada Pension Plan worked fairly well. Substantially more money flowed in than flowed out to provide all working Canadians with retirement income as well as financial help to their families should the breadwinner die or became disabled.

Let’s fast-forward 30 years to the mid-90s.

By 1996, more money was going out than was coming in. In that year alone, $17 billion was paid out in benefits but only $11 billion was collected in contributions, leaving a one-year deficit of $6 billion.

The plan was headed for serious trouble. If something wasn't done quickly either contributions would have to go up substantially or the plan reserve would be exhausted. The burden on future generations would be enormous.

Particularly worrisome was the changing ratio of seniors to workers. Many of you have demographics similar in shape to these.

In 1966, when the Canada Pension Plan began, there were seven workers for every pensioner.

Today that ratio has shrunk to five contributors for every beneficiary. In 30 years from now, there will be only three workers to support every pensioner.

This is a dramatic demographic shift with huge economic repercussions.

The impending pension crisis sparked an extensive review by the federal and provincial governments and led to important changes in 1997.

The two most important changes for purposes of our discussion were, first, an attempt to put the Canada Pension Plan on a firmer financial footing by increasing contribution rates and improving plan administration and second, the creation of an independent organization separate from the plan itself to manage the reserve assets.

Let's look at the changing financial structure of the plan.

Over a 20-year period, the plan will move from being exclusively a pay-as-you-go scheme to a partially funded plan.

The goal is to build its financial viability to the level where assets should represent 20 percent of liabilities and five years of pension benefits. That's projected to happen by 2017.

Considering that assets represented only 8 percent of liabilities in 1996 when the plan was experiencing annual shortfalls, this is a big step back from the edge of a fiscal abyss.

A good part of this transformation is being accomplished by gradual increases in the contribution rate until it reaches 9.9 percent of the employee's pensionable earnings by 2003. After that, the contribution rate will be held steady indefinitely.

So what we have is something familiar to most of you – a partially funded defined benefit plan.

As a result of the contribution increases already implemented, more money is flowing into the Canada Pension Plan than is needed to pay pensions; a situation that is expected to continue for at least another 20 years.

Back in 1996, the federal and provincial governments debated what to do with the excess funds until they are needed to pay benefits.

The first part of their answer was to invest excess funds in capital markets.

The second part was to create a corporation under professional management and independent of government to make the investment decisions.

That corporation is the CPP Investment Board, which commenced operations in October 1998.

Let's take a look at our investment mandate and activities.

Legislation sets out two objectives. First, we are to manage the cash transferred to us in the best interests of the Canada Pension Plan's contributors and beneficiaries. That means we must invest in the best interests of currently about 16 million people.

Second, our legislation directs us to maximize investment returns without incurring undue risk.

Furthermore, we are not allowed to conduct any business that is inconsistent with these two objectives of furthering the financial interests of Canadians and maximizing returns without assuming undue risk.

These legislated requirements draw a sharp distinction between our investment mandate and that of public funds in many other nations.

For example, unlike public pension funds in Japan, Korea and the United States, we are only required to make funds available to government if we decide to build a bond portfolio. So far, we have decided not to.

Nor are we required to make loans to state-owned firms.

Furthermore, we do not have a social investment or development policy imposed on us, as occurs in many African nations, as well as in Sweden, Japan and Iran.

In other words, we do not invest according to the public policy objectives of government other than to help keep the public pension promise.

That is a worthy social objective on its own. It deserves a focused investment mandate that is not diluted or distracted by other public policy goals or social causes.

In estimating the funding need of the Canada Pension Plan, the federal Chief Actuary provided some guidance on what is expected from investing in capital markets.

In the Chief Actuary's view in 1997, the cash flows not currently needed to pay pensions are expected to earn a 4 percent real rate of return or 7 percent assuming a 3 percent inflation rate.

Earning a 4 percent real return is tough to do continuously. For example, if all Canada Pension Plan assets had been invested in Canadian equities since 1966, they would have exceeded a 4 percent real return only half the time.

We have taken up the challenge by first investing solely in equities and second investing 30 percent of cash flow outside Canada.

Let me elaborate on both points.

Our decision to invest solely in equities must be seen in the bigger picture of the assets available to the Canada Pension Plan.

I said a few moments ago that we differ from other state-owned pension funds in that we are not obliged to lend money to government. That was not historically the case.

The plan directly owns a large portfolio of federal and provincial bonds. Most of these bonds are 20-year loans to the provinces, territories and federal government at preferential rates. Sound familiar?

Under the new financial structure for the Canada Pension Plan, each province can renew its bonds when they mature for one further 20-year term. However, they must do so at market rates. The federal government, by the way, cannot roll over its maturities.

The proceeds of matured and redeemed bonds flow through to the CPP Investment Board.

Eventually, when the last of any renewed bonds mature, the cash proceeds of the entire portfolio will have flowed through to the CPP Investment Board. That will happen no later than March 1, 2033.

In the meantime, we are required to take these fixed-income assets into consideration in developing our investment strategy. Their existence is one reason why we invest solely in equities.

On June 30 of this year, our equity holdings were $11 billion. That is about 20 percent of the total assets available to the Canada Pension Plan.

Within three years our equity holdings will reach 50% of assets available to the plan. This will be close to the allocation of large public sector pension funds in Canada and the United States. They typically have between 55 and 65 percent of assets invested in equities.

So our decision to invest in equities can be seen first as an attempt to balance the enormous CPP bond portfolio.

A second key reason why we decided to invest in equities is because the returns are attractive for the risks incurred over long periods of time.

According to the Chief Actuary, contributions to the Canada Pension Plan will exceed benefit payments until at least 2021. So we have a long investment horizon to earn the expected higher returns that equities can generate.

We also invest in foreign equities. Foreign investing by pension funds, as well as pension accounts owned by individuals, is regulated in Canada. Failure to comply with the requirement on a monthly basis results in penalties that can be very expensive.

During the past couple of years, the federal government has increased the level of assets at cost that a pension fund can own outside Canada and remain tax exempt. The limit is currently 30 percent at cost. We invest outside Canada to the maximum permitted by law to better diversify our asset base.

In Canada, virtually all of our current investing is in equity funds based on the TSE 300 Composite Index on the Toronto Stock Exchange.

Outside Canada, we currently invest in the Standard & Poor's 500 Index of large U.S. companies … and the EAFE Index developed by Morgan Stanley Capital International of about 1,000 European and Asian firms. Each of these foreign funds holds about 15 percent of our total assets.

Investing globally is critical to our mission of maximizing returns and avoiding undue risk. Canada represents about 2 percent of the world's stock market capitalization. It would be foolish for us to put all our eggs in such a small basket, a concern that many of you face.

Global investing enables all of us to benefit from a wider choice of industrial sectors than are available at home. That means, over time, better risk adjusted returns.

We realize that continuing to invest in publicly traded equities through index funds is not the best way to maximize returns without undue risk of loss.

Over the next year or so, we will actively manage a portion of our assets in both public and private markets. Recently, through external fund managers, we began to invest in private equity through early-stage companies and new technologies, established firms seeking private expansion and growth capital and corporate buyouts and acquisitions that result in stronger and more profitable companies.

We are positioning ourselves as a preferred investor for the top private equity managers and merchant banks in Canada and around the world.

We are also considering other private market investments such as real estate, infrastructure projects, electrical power projects, and natural resources.

We have approved the commitment of up to 15 percent of total assets to private market alternatives … although the percentage could go higher.

In all this, we will maximize foreign content to enjoy the benefit of different investment strategies and asset classes on a global basis.

As it is, we are investing large sums of cash at a time when stock markets have been through the most severe correction in over 30 years and continue to perform at a much lower level than we saw a few years ago.

As a cash rich investor, we are in the fortunate position to be able to buy stocks at much reduced prices … believing that they will be valued at substantially higher prices in coming years, despite the adversity and uncertainty that will likely continue in the short term.

Over the next 10 years, we expect our assets under management to exceed $130 billion as contributions continue to pour in, the proceeds and income of the government bond portfolio flow through and we enhance the value of invested assets.

We are fully confident that our policy of investing in equities will more than compensate for the risks incurred and deliver real returns above the 4 percent minimum requirement over the long-term.

To carry out our investment mandate, we are building the CPP Investment Board as a small virtual corporation.

The management team is drawn from the private sector and supported by other professionals and staff who also have private sector experience.

Key executives and several managers are already on board. Our staff of 17 will grow to approximately 30 over the next year. In other words, we are not building a bureaucracy.

Our operating and investment strategies are being implemented through partner-like relationships with private sector investment firms across Canada and around the world.

In brief, while the CPP Investment Board is a federal crown corporation we operate on the private sector corporate model very much like a mutual fund manager or other investment management company.

Furthermore, we operate from Toronto, Canada’s financial capital, rather than Ottawa, our national capital.

So far, I have given you a lot of background. Let me summarize the key points.

First, the Canada Pension Plan has been a pay-as-you go scheme for most of its 35-year life and will gradually become partially funded with assets projected to represent approximately 20 percent of liabilities by 2017.

Second, contributions will exceed benefit payments for about another 20 years through large increases in the contribution rate for employees and their employers.

Third, a separate crown corporation, the CPP Investment Board, was created in 1997 to invest excess contributions and the proceeds and income of a government bond portfolio in capital markets.

Fourth, in setting the asset mix policy, we at the CPP Investment Board consider the fixed-income assets directly owned by the Canada Pension Plan.

Fifth, we invest solely in equities for two basic reasons – the size of the fixed-income assets available to the plan and the fact that we have at least a 20-year investment horizon to earn superior returns from equities for the risks assumed.

Sixth, we invest 30 percent of all new funds outside Canada.

Seventh, we started by investing passively in equity index funds and are beginning to more actively manage public and private equities.

And finally, we operate as a lean virtual corporation.

With that background we come to governance principles and practices.

My goal in this portion of my presentation is to describe some general, and I believe, widely accepted views about good governance and also to share some of the specific policies and practices of the Canada Pension Plan Investment Board in the hope that the information will be useful to you as you address your own particular situation.

Let me say at the outset that I believe that good governance leads to a number of positive outcomes.

Effective governance begins with defining the responsibilities and accountabilities of the key groups in an organization, as well as putting qualified and trustworthy people in place to discharge those responsibilities.

With respect to responsibilities the board of directors represents the best interests of the stakeholders it reviews and approves policies and strategies provides oversight of management and for compensates management according to its performance.

Management, on the other hand, is responsible for developing policies, strategies, and annual business plans and budgets for board approval and for all aspects of the ongoing operation of the organization within the approved policies, strategies, plans and budgets.

In terms of accountability, the board of directors reports to the stakeholders and management reports to the board.

This is the model we follow at the CPP Investment Board. Our primary stakeholders are the federal and provincial governments and the 16 million Canadians who contribute to, or benefit from, the Canada Pension Plan.

To understand how our corporate governance model works, let me address the issues of professional competence and its relevance to our investment mandate, independence from government, the separation of responsibilities between our directors and management, our codes of conduct and conflict of interest policies and the other checks and balances interwoven into our processes and our commitment to transparency.

You need to keep two basic entities in mind in order to understand our governance model. One is the Canada Pension Plan. The other is the CPP Investment Board.

The two are related, but are in many ways separate and distinct in terms of their mandate and governance.

The Canada Pension Plan itself is the exclusive responsibility of our federal and provincial governments. They are responsible for its design, administration and funding policy. For example, they set contribution rates and determine benefits and the federal government actually collects contributions and pays entitlements.

The CPP Investment Board is a crown corporation that has one job -- to invest the funds transferred from the plan. We have no policy or administrative responsibilities for the plan.

The CPP Investment Board is not only governed and managed independently of the Canada Pension Plan. It is also governed and managed independently of governments.

We have our own board of directors and professional management team, each with clearly delineated responsibilities and accountabilities that are in accord with the good governance model I discussed a moment ago.

Let's examine our board of directors, specifically the capabilities of its members and the process for their selection and appointment.

The twelve members of our board were selected for their investment and business expertise in such areas as economics, accounting, actuarial science, finance, investing, banking and business generally. The requirement for relevant expertise and experience is set out in our legislation.

This is quite different from most public pension funds around the world that are typically governed by nominees or representatives from government, unions and employers.

This is an important distinction because it pays respect to our modus operandi – to maximize investment returns without undue risk of loss – by ensuring we have individuals with investment knowledge and expertise keeping an informed eye on management.

This is a critical check in our system and the foundation on which much of our governance structure is built.

I should also point out that under our legislation no director may be an officer. Therefore, we have a true non-executive board.

Another critical check is the commitment of the finance ministers and their governments to ensuring the CPP Investment Board has the independence to make objective investment decisions. After all, it's in their best interests that we make money to enhance the financial viability of the Canada Pension Plan.

This is ensured by our culture of transparency. Whatever happens at the CPP Investment Board, quickly becomes public information. Therefore, any appointee to our board who lacked appropriate professional experience and stature would attract public attention and public scrutiny.

Simply put, the independence and expertise of our board of directors is a critical element in building public confidence in our mission.

Let me outline how our directors get nominated. This is very much a Canadian innovation.

First, the federal finance minister and the finance ministers for the nine participating provinces appoint a nominating committee. Each government names one committee member. The federal finance minister chooses the committee chair and has selected the chief executive officer of a private sector company to fill that position.

The committee identifies qualified prospective candidates from across Canada bearing in mind that they must find individuals with the expertise and experience relevant to our investment mandate that I described a moment ago.

The committee agrees upon a list of qualified candidates and refers the list to the federal finance minister.

The federal finance minister consults with his provincial counterparts on the proposed names and then appoints directors from the list of nominees recommended by the arm's length committee. Once appointed, directors serve for up to three terms of three years each. Our Chair can serve for a fourth term. No director may be removed other than for cause during any three-year term.

The federal finance minister also appoints the chair of the board again, in consultation with his provincial counterparts and also in consultation with the directors already appointed.

I'm sure you will agree this is an arm's length process that reconciles the responsibilities of the federal and provincial governments with the desire to de-politicize appointments.

The directors are responsible for the governance of the CPP Investment Board. Specifically, as set out in our legislation and regulations, they are responsible for investment policies, standards and procedures, appointing an independent auditor, approving codes of conduct, approving conflict of interest policies for directors and employees approving risk management policies, and generally monitoring and assessing management's performance.

To further improve its effectiveness, the board has three committees of directors with specific responsibilities – one each for auditing, human resources and compensation and governance. In addition, the full board serves as our investment committee.

Our board, by the way, also has a process for evaluating its own performance and that of its committees. This is another important component of good governance.

All of our governance policies and practices are codified in our governance manual, a document that is reviewed and updated annually.

Here's another important point. The board of directors, not the politicians, recruits and appoints the President and Chief Executive Officer.

I am honored to serve as the first incumbent. I report to the board of directors … not to politicians. Our board sets my compensation and performance objectives and I in turn do the same for the senior executives I recruit.

The duties of management are to develop operating and investment policies and procedures, as well as a detailed annual business plan and budget for board approval and to implement these policies, procedures and plans to manage the organization day to day and to report back to the board on a regular basis.

Importantly, these duties involve the investment professionals on staff making recommendations to the board on all major investment policies and initiatives, such as risk budgeting, asset allocation and the engagement of external managers, and then making and implementing all investment decisions within these approvals.

Management, not the board, makes individual investment decisions. External investment managers report to management, not to our board. As a result, our internal management team is held accountable for the performance of the external managers we recommend to our board of directors.

This clarity in the division of responsibilities, which is articulated in a number of documents that our board has approved, is one that we regard as a vital element of a good governance model.

The most essential aspect of this process for the public to understand is that full-time experienced investment professionals, not politicians or government officials make all investment decisions.

Political leaders and government officials cannot and do not tell us how to invest.

What would I do in the unlikely event a cabinet minister or government official contacted me to urge that the CPP Investment Board consider investing in a particular geographic region, industry or company?

The answer is that I would emphatically explain that the call was inappropriate. Then I would immediately advise the full board of directors of the call. And if efforts to compromise our investment decision-making independence persisted, I would resign and I believe the other members of our management team and the board of directors would do the same.

The fact that we would resist political or governmental pressures on our investment decision-making does not mean we are unwilling to listen to political leaders or government officials or to consider investments in social housing, or public infrastructure, such as schools and highways, that might be politically popular.

But we would do so only if such investments maximized investment returns without undue risk of loss. We would not take other public policy objectives into consideration, no matter how worthy they were.

I explained earlier that the objects of our organization are set out in legislation. Of course, the lawmakers could change our legislation and amend our mandate. If they did, we would comply.

But for any legislative or regulatory amendment to pass, it would have to win the support of the Government of Canada and the governments of two-thirds of the participating provinces representing two-thirds of the population of Canada. Achieving such a consensus would be a difficult challenge. It could only be achieved if, after extensive public discussion, the proposed amendment was found to have merit and a broad base of public support.

I now want to review our approach to another key aspect of good governance: codes of conduct and conflicts of interest policies for directors and employees.

Our codes and policies are public information. This means that experts in governance know the standards by which we are operating and are, therefore, free to comment publicly on them.

Let me sketch just two of their key aspects.

Our policies impose tight controls on the personal investing of directors and employees. They are required to pre-clear trades before executing them and to report on their investment activity on a regular basis. We want to make sure that our people do not use confidential information for personal financial benefit or any other inappropriate purpose.

Directors and employees are required to disclose any real or potential conflicts of interest and take the appropriate steps to ensure that the interests of the CPP Investment Board and our millions of contributors and beneficiaries, cannot be deliberately or inadvertently compromised.

In assessing these matters we take into account both real and perceived conflicts. Conducting ourselves properly in these areas is a precondition to building and maintaining public confidence in the integrity of our people and organization.

There are additional checks and balances in place for the same purpose. They include the appointment of an independent outside auditing firm to review our operations and records and report directly to our audit committee, a procurement policy that sets out the basis on which we select outside organizations and suppliers, an external custodian, selected through a rigorous due diligence process, to hold our investments and signing authorities and limits to protect our cash and portfolio assets.

These are just examples of the extent to which we go to earn and nurture public trust. And we are happy to do so because, after all, it is the public's money that we are investing.

Consequently, we want to avoid even the slightest risk of a loss of public confidence in our integrity and conduct as a corporation, as a management team or as individuals.

The final element in our governance model that I want to discuss is our obligation and our commitment to public transparency and reporting.

Like other pension funds, we are required to publish an annual report. Our legislation requires that the annual report be issued within 90 days of the fiscal year end, that it be distributed to the federal and provincial finance ministers, that it be tabled in the federal, and provincial parliaments, and that it be made available to all interested Canadians.

In fact, we send our annual report to all members of the federal parliament and the provincial legislatures as well as to stakeholder groups such as trade unions, pensioner associations, business associations, economic and social policy research institutes, universities and every public library in the country.

On top of that, our annual report is available on our Web site.

Furthermore, our legislation and regulations specify what must be disclosed in the annual report. The requirements include audited financial statements, a statement of corporate governance practices that sets out the duties, objectives and mandate of the board of directors, the board's committees, their composition, mandates and activities, the decisions of management requiring the board's prior approval, the procedures in place for the board to assess its own performance and the directors' expectations in respect of management.

We are also required to disclose in the annual report our objectives for the past year and how they were met, as well as our objectives for the coming year.

And we must disclose the total compensation of the top five officers as well as the total compensation of the directors and executive officers.

In other words – disclose, disclose, disclose – so that those we serve have the information they need to judge whether we are doing what we are supposed to be doing and whether or not we are doing it well.

We also accept our obligation to explain each fiscal year's financial results to Canadians.

One way in which we do that is by calculating and publishing rates of return for our investment portfolios. These returns are based on the market value of assets, not book value. Currently, we publish returns for our Canadian and foreign portfolios separately and for the total portfolio.

We are publishing annualized returns so that Canadians can see not only how we did in the most recent periods, but also how that translates into long-term performance, which is where the focus should be.

However, we have completed only two full fiscal years, so building a meaningful track record will take time.

This year we instituted a policy of holding a conference call with the news media to discuss our year-end results. Consistent with our commitment to transparency, we intend to extend this practice to all material developments.

Again, it is our responsibility to ensure that Canadians understand our policies and practices. That means making the effort to communicate, rather than just issuing information and leaving it to the public to interpret it.

We accept that Canadians have the right to know in a timely manner what we are doing with their pension money.

What is unusual for a state pension fund is that we are required to prepare quarterly financial statements within 45 days of each quarter end. Again, these statements must be distributed to the federal and provincial finance ministers.

Consistent with our commitment to transparency, we make the quarterly financial statements available with a summary press release to the news media and to the public

through our Web site.

By the way, I would not recommend that pension funds issue quarterly reports. As we all know, the investment horizon for most pensions funds is long term, 10 years and four years being the industry performance standards. It is not helpful to report every three months on an investment policy that needs several years or decades to achieve its performance objectives.

Another worthwhile aspect of our governance and reporting is that we are required to hold a public meeting once every two years in each participating province. Its purpose is to discuss our most recent annual report and to give interested persons an opportunity to comment on it.

We held our first series of public meetings last January. We started on the east coast in Atlantic Canada and travelled to the Pacific Coast, dodging snowstorms and stopping in provincial capitals along the way.

We went further than the law requires. As part of our commitment to good governance and transparency, we met with select stakeholder groups, such as poverty activists, union leaders, pension fund managers, pensioners, business students, business leaders and personal financial planners.

And I appeared on several radio shows and talked to the television and print media at every stop.

What this amounted to was a broad dialogue and reporting campaign with Canadians throughout our vast country.

We learned a lot. We know Canadians learned a lot. And the very process of having public meetings ensures that we stay on our toes in making certain we are maintaining the highest governance standards as we do our work.

With such an open process of legislative and public accountability, there is nowhere to hide. And there certainly is nowhere to hide political interference or corruption.

In our view, publicly enunciated governance policies and full and timely public reporting are the cornerstones to safeguarding public funds and earning and maintaining public trust.

Governance matters, as the World Bank Pension Reform Primer explains so well.

What does good governance achieve? In my assessment:

It enhances an organization's performance by clearly defining responsibilities and accountabilities.

It protects the investment decision-making process against political and governmental pressures.

It protects the assets that belong to Canadians against misuse or misappropriation.

It builds public confidence in our mission through transparency – that is, the public's right to know who we are, what we are doing, where their funds are invested, and how they are performing.

Indeed, while policies and processes are important to effective governance … above everything, it is the commitment to transparency and full and timely public disclosure that makes sure those policies and processes come alive for the public.

One final point.

Much of what we do as a large and growing investor and the leadership we are providing in the governance field goes over the heads of most people. They either find it boring, don't understand it or don't have the time to deal with it.

But what is important to them is that experts who do understand investing and do know good governance when they see it, have the opportunity to keep a watchful eye on us and challenge anything that does not appear to be wise or right or ethical.

That scrutiny, not only by Canadian specialists, but by experts from other nations is a reminder to all of us that there should be nowhere to hide incompetence, political interference, corruption or misuse of funds that belong to the people.

Obviously, Canada's culture, judicial system, commitment to democracy, human rights and a free press, are all factors that shape why our governments in Canada chose to create the CPP Investment Board as an independent corporation to make investment decisions involving many billions of dollars of public funds.

For us, while it is progressing well, we know that our work will be never ending as we strive for ever higher governance standards.

I hope that our solution finds relevance in meeting your public pension fund challenge.

Thank you.