# CPP/CPPIB Stewardship Framework

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Executive Summary

The Canada Pension Plan (CPP) is a cornerstone of the Canadian retirement income system. This calls for robust governance and prudent stewardship of the CPP to ensure that sufficient assets are accumulated to meet the cost of legislated CPP benefits, that contribution rates remain stable, and that Canadians can expect predictable benefits from the CPP.

The Ministers of Finance of the federal and provincial governments in Canada are the Stewards of the CPP. While the statutory authority of the CPP and the Canada Pension Plan Investment Board (CPPIB) lies under federal government jurisdiction, all federal and provincial Ministers of Finance are joint stewards of these institutions. The governance structure for the CPP is unique in the Canadian federal system of government and requires a clearly articulated and documented policy, as it transcends the tenure and oversight of any government of the day or administrative representatives that support the Stewards of the CPP.

The CPP is administered by Employment and Skills Development Canada (ESDC), which collects and records contributions and pays benefits to Canadians. ESDC is also responsible for producing financial statements and annual reports for the CPP, as well as providing information to the Office of the Chief Actuary of Canada for the purposes of conducting actuarial valuations of the CPP. The Canada Revenue Agency (CRA) also plays a role in supporting these functions through collecting, recording, and assessing income and corporate tax in Canada (which includes CPP contributions from individuals and businesses).

The CPPIB takes CPP contributions transferred to it from ESDC/CRA and invests those funds through its investment strategies in a broad mix of global and domestic asset classes with the objective of growing the CPP funds to pay CPP benefits. The CPPIB has a statutory mandate to maximize returns without undue risk of loss.

Stewards are supported in their oversight functions by various committees of officials who represent the Stewards. The individuals working in these committee structures conduct much of the day-to-day interactions between officials and the work required in producing materials to support the decision-making of the Stewards and the administration of both the CPP and the CPPIB. Their roles as Representative of the Steward are defined in this document.

The evolution over time of the CPP and CPPIB has led to greater administrative and governance sophistication, in addition to a significant increase in the assets under management by the CPPIB. The oversight of these functions by the Stewards requires a clearly articulated policy framework and sufficient diligence to carry out these fiduciary obligations to Canadians.
Goal

The primary purpose of this Stewardship Framework is to guide the Minister of Finance as Steward of the CPP, and the Representative of the Steward, in effectively carrying out responsibilities related to the CPP and CPPIB. A secondary purpose is to ensure the roles and responsibilities for the Steward and Representative are defined and documented, to both support continuity and provide transparency.

This document will: articulate the roles and responsibilities of the Steward and the Representative; identify the pension promise; establish principles and priorities; identify key objectives, outcomes, and assumptions; provide an environmental scan; indicate challenges and opportunities; and finally, provide an action plan to ensure the oversight responsibilities are carried out appropriately and transitioned to successor Stewards and Representatives.

Background

Although leadership and authority for the CPP and the CPPIB function has resided with the Executive Director Pensions for many years, there was a period of time (from 2008-2018) in which the authority for the file, though not the expertise and leadership, was held within the Intergovernmental Relations and Income Security branch of the Ministry of Finance. The reason for this is that in 2008 the Public Sector Employers’ Council Secretariat (PSEC Secretariat), where the Executive Director Pensions resided, transferred from the Minister of Finance to a different minister. Authority for the CPP and the CPPIB had to remain with the Steward, the Minister of Finance. The PSEC Secretariat continued to provide the expertise and leadership.

In 2018 the responsibility was transferred back to the PSEC Secretariat. Merging the leadership and authority functions together again allows for a more effective, efficient, coordinated, comprehensive, and strategic service to the Steward. It ensures a strong connection to the four jointly trusteed public sector pension plan and other public and semi-public sector pension plans. Further, it better supports the total compensation model of the PSEC Secretariat. Finally, it resulted in this first ever stewardship framework that will guide the important work related to the CPP and CPPIB and ensure ongoing high-quality support for the B.C. CPP Steward.

Context

At fiscal year end in 2018 the CPP had $356 Billion in assets, earning a net income of $37 Billion after benefits that were paid out. The net nominal 10 year annualized rate of return was 8%
and the net nominal fiscal 2018 rate of return was 11.6%. Twenty million Canadian citizens, outside of Quebec, pay into the CPP and will receive a basic pension upon retirement.

The benefit design of the CPP is intended to cover 25% of a workers’ pre-retirement earnings, up to the Year’s Maximum Pensionable Earnings (YMPE), which in 2019 is $57,400. The Additional CPP will increase this replacement rate to 33% and extend the maximum earnings covered up to $79,400 (in 2025), on future pension accrual. The Additional CPP is being phased in from 2019 to 2025, after which full contributions for the Additional CPP will be collected from individual workers and their employers. Additional CPP benefits will start to accrue to individuals in 2019, but maximum benefits will not be available to individuals until they have been contributing to the Additional CPP for a full 40 years. Partial benefits will be available to those retiring in the near term decades to come, as Additional CPP benefits will be calculated based upon the years of contribution and added to Base CPP benefits when individuals activate their CPP retirement benefits.

Currently, the Base CPP pays maximum retirement benefits of $1,155 per month. However this requires a contributory period of 40 years and career average earnings at or above the YMPE, which for the past ten years has been above $50,000. The average retirement benefit paid from the CPP has been $664 per month, or just over half of the maximum amount. The average benefit paid reflects the fact that a significant portion of the workforce earns less than the YMPE (maximum insured earnings), and that benefits are calculated on career average salaries.

The Additional CPP, once fully accrued to individuals (after 40 years contributing) will provide an additional maximum benefit of $570 per month. We can assume that average CPP retirement benefits will increase beyond half of the maximum amount, due to the higher earnings range that will be covered. Thus average Additional CPP retirement benefits will likely be approximately $300 per month.

The CPP also provides disability, survivor, and death benefits. The Base CPP has been viewed to have more ‘social’ benefit aspects while the Additional CPP is more of a pure defined benefit pension plan.

The Stewardship Role Defined

The definition of Stewardship is an important concept in understanding the roles and responsibilities that are embedded in the oversight functions related to the CPP.
Stewardship implies the care, conservancy, planning, attention, and upkeep of financial resources or personal property of others by an appointed person (the Steward).

Stewardship does not necessarily establish legal responsibilities, but it does share certain legal fiduciary principles that arise out of the common law for property and trusts. Principles such as loyalty, equity, fairness and diligence are present. There are variations in these principles and they are labeled differently in different source material (for example fairness is often referred to as evenhandedness). The following includes some brief definitions of these principles.

Loyalty: Decisions are made in the best interest of all whom those decisions impact. Preference is not given to one group over another, nor are outside interests considered over those of direct stakeholders. A fiduciary must be unswervingly loyal to the beneficiaries.

Equity: Decisions are made so that beneficiaries share in the rewards (gain) or risk (loss) of the enterprise on an equitable basis.

Fairness: This is a process that ensures all beneficiaries are treated in an evenhanded manner.

Diligence: A fiduciary must apply all their knowledge and experience and must ensure that decision-making processes incorporate all the relevant considerations. Often the concept of the ‘ordinary person’ principle is applied to fiduciaries, but additional relevant skills held by a fiduciary will cause a higher standard of responsibility to apply.

While stewardship does not establish these fiduciary principles in a legal context (i.e.: breach of fiduciary duties), stewards who conduct their responsibilities with consideration to these principles will, generally-speaking, be fulfilling the obligations bestowed upon them.

Federal and Provincial Finance Ministers are the Stewards of the CPP. Territorial Finance Ministers participate in CPP governance activities, but they are not Stewards. Territorial finance officials also participate in CPP Committee meetings (meetings of the Stewards’ representatives). The Federal Finance Minister generally acts as meeting Chair at Finance Ministers’ Meetings and has other specific roles in CPP governance (appointing directors to the Board of the CPPIB after consulting with provincial Stewards; passing orders of the Governor General in Council to bring into force federal legislation or regulations related to the CPP; directing the drafting of federal legislation and procedural requirements in routing through the federal parliament).
To change benefits or contribution rates, or make amendments to the CPP legislation, requires the endorsement of the federal parliament of Canada and the agreement of two-thirds of the provinces representing two-thirds of the population of Canada. This requirement is embedded in the *Canada Pension Plan Act* (R.S.C., 1985, c. C-8).

Prior to the repatriation of *The British North America Act* and inclusion of the Charter of Rights and Freedoms in *The Constitution Act* (1982), the constitutional amending formula was two-thirds of provinces, representing two-thirds of the population of Canada. While agreement was not unanimous in creating the CPP, there was enough support from provinces to proceed. After the legislation was brought into force, Quebec made the decision to opt out of the CPP and established the Quebec Pension Plan (QPP). However, Quebec still participates on the CPP Committee of Officials and is included in the two-thirds, two-thirds formula for changes to the CPP; despite having the QPP that Quebecers contribute to and receive benefits from, Quebec still has a vote on matters related to the CPP.

**The Role & Responsibilities of the Stewards**

The Stewards of the CPP are jointly responsible for the governance and oversight of the CPP. The Minister of Finance for each province and the federal government are the Stewards of the CPP. They are also responsible to support the appointment process for the CPPIB.

The Stewards of the CPP must oversee the CPP triennial review process, which includes the actuarial valuation of the CPP, conducted by the Office of the Chief Actuary. The valuation occurs in the first year of the triennial review process. In the remaining two years of this process, Stewards discuss whether any changes to benefits or contributions for the plan are required. Substantive changes require formal approval meeting the consensus threshold.

The Stewards of the CPP must provide Orders in Council to formally approve any changes to benefits, contributions or legislation related to the CPP or the CPPIB. OICs from two-thirds of the provinces, representing two-thirds of the population of Canada are required. Discussions amongst the Representatives of the Stewards prior to formal decision-making, generally indicate whether there is sufficient consensus, which would determine whether OICs are pursued.

The Stewards provide written feedback to the federal Minister of Finance with respect to recommended candidates for appointment to the CPPIB Board of Directors.
The Stewards of the CPP meet at least annually at the December Finance Ministers’ meeting. They meet also in the spring if a Spring Finance Ministers’ meeting is called. These meetings are the only forum where the Stewards meet collectively. Finance Ministers’ Meetings will accommodate CPP issues on the agenda. Depending on the nature of the CPP issues, they may receive more or less time on the agenda (for example, the negotiation of the Additional CPP consumed significant agenda time at Finance Ministers’ meetings from 2015 to 2017). The Stewards also meet annually with CPPIB officials (usually the CEO and/or Chair of the Board), mostly for updates and current activities of importance related to CPPIB and the CPP.

The Roles & Responsibilities of the Representative of the Stewards

The function of the Representative of the Steward is twofold: to carry out the day-to-day operational requirements related to the role and responsibilities of the Steward; and to support the CPP Steward’s decision-making.

As applied to the Stewardship function, the Representative of the Steward will carefully and diligently apply professional pension, financial and bureaucratic expertise, fiduciary considerations and mindful completion of these duties to ensure that the Steward can function in the role, and the governance system of the CPP can function effectively. Representatives carry a special role in that they must equally balance the requirements of supporting the particular Steward they represent with the broader fiduciary requirement to all CPP beneficiaries which is implied in the Stewardship role. Not only is the Steward a fiduciary, but the Representative is too. This involves being sufficiently objective in perspective related to CPP issues and providing executive leadership in cases where perfect alignment of interests is not present.

The role of the Representative of the Steward involves several direct functions, including:

1. Sitting on the CPP Committee of Officials where much of the business of the CPP is carried out.
2. Sitting on the CPPIB Nominating Committee which is responsible for overseeing the appointment process and succession planning process for the Board of Directors of the CPPIB.
3. Participating in CPP and CPPIB forums.
4. Providing pension and governance leadership based on their experience.
5. Participating in bi-lateral discussions with officials from the CPPIB, the Office of the Chief Actuary, other provinces and territories, as well as officials from the federal government related to the CPP and the CPPIB.
6. Overseeing and performing the daily activities involved in steering and completing the triennial review and actuarial valuation of the CPP.

7. Overseeing and reviewing the annual reports of the CPP and the CPPIB.

8. Preparing and providing briefing and decision materials for their CPP Steward.

9. Monitoring, analyzing, and summarizing actuarial reports, annual reports, financial reports and other documents supplied by federal agencies in respect of the CPP and the CPPIB.

10. Preparing Orders in Council when required to supply formal provincial consent to CPP/CPPIB changes to benefits, contributions or legislation.

11. Liaising with government departments as required, where CPP/CPPIB issues might impact those areas, as well as with communications staff and intergovernmental relations staff.

12. Supporting the CPP Steward in preparing for Finance Ministers’ Meetings, in respect of CPP and CPPIB issues.

There are also a number of indirect functions performed by Representatives of the Stewards. These functions are related to strategic coordination of pension policy issues and ensuring continuity in the function of the Representative role and the role of Steward. Some jurisdictions have limited capacity to carry out these functions.

1. Developing and maintaining a succession plan for the role of the Representative of the Steward so there is adequate capacity and transition of the role as staff change.

2. Developing and maintaining a transition plan for the role of Steward of the CPP for deployment when there is a change in minister or a change in administration.

3. Coordinating transmission of CPP/CPPIB information and best practices to public sector pension plans where relevant.

4. Providing pension policy advice and leadership in CPP/CPPIB issues/activities.

5. Developing educational materials for senior government executives on pension-related subjects (Pensions 101) to improve awareness.

6. Monitoring, coordinating, and taking action on subjects that can impact CPP/CPPIB and public sector pension plans. For example, changes within the retirement income system (OAS/GIS, federal Income Tax Act, Pension Standards legislation in various jurisdictions, tax-assisted savings vehicles such as RRSPs or TFSAs, new developments in the pension industry such as target benefit plans, Pooled Registered Pension Plans (PRPPs), actuarial or accounting standards changes, trends in pension governance or the investment industry), provincial and federal budgets, collective bargaining and compensation, pension and labour law jurisprudence.

Representatives of the Stewards are well-versed in all aspects of the responsibilities inherent in the Stewardship role and also understand the fiduciary context in which it operates. They are knowledgeable in a variety of financial disciplines including: actuarial math and theory, accounting, audit, risk management, investment portfolio design and management, as well as board governance principles and best practices.
CPP/CPPIB Stewardship Framework

The Public Sector Employers' Council (PSEC) Secretariat, the Stewardship Role, & the Delegated Representative Role

The PSEC Secretariat is a central agency reporting to the Minister of Finance. The PSEC Secretariat is responsible for: managing total compensation costs across the broader provincial public sector; overseeing collective bargaining in those areas; managing executive compensation disclosure; supporting the Appointee Remuneration Committee; carrying out the governance activities of the Government Pension Plan Partner to the four jointly trusteed public sector pension plans; and supporting the CPP Steward.

The Minister of Finance is both the Government Partner to the four jointly trusteed public sector pension plans and the CPP Steward. The Government Partner/CPP Steward delegates authority to the Executive Director Pensions in the PSEC Secretariat to carry out ongoing governance and oversight activities for the jointly trusteed pension plans, the CPP, and the CPPIB. The Executive Director Pensions takes its direction from the Minister of Finance.

All of the functions of the Representative of the Steward, as noted in the above section, form part of the pension policy roles of the Executive Director and Director of Pensions in the PSEC Secretariat. There is a natural and complimentary alignment of these CPP stewardship functions with the public sector pension functions and the compensation mandate of the PSEC Secretariat that enables the development of a comprehensive strategic pension policy to manage the significant costs and benefits of pensions. This alignment creates improved consistency in support for, and advice to, the Minister of Finance and other stakeholders. It also allows for coordinated and consistent responses to pension-related inquires from within government and from external sources.

There is a dual reporting relationship inherent in this structure as the delegated authority from the Minister of Finance to the Government Partner Representative and the Representative of the Steward imply a direct reporting relationship to the Minister of Finance, while at the same time there is a more hierarchical reporting relationship for PSEC Secretariat pension staff to the President and CEO of the PSEC Secretariat. This dual reporting relationship ensures there is appropriate strategic connectivity between pension activities and broader labour relations and total compensation functions.

The Pension Promise of the Canada Pension Plan

In the early years following its inception, CPP benefits began to accrue to contributors, but were also made available immediately to new beneficiaries. These “legacy costs” were
accepted as appropriate due to the sacrifices made in war-time by the previous generation, both in terms of service to their country, but also in terms of the negative impact that service had on their labour market participation over their careers (ability to save for retirement). Contributions to the CPP were initially set quite low, so as not to create significant burden for the existing labour force in adapting to these new payroll deductions.

As plan expenditures grew and further supplemental benefits were added to the plan, it became apparent that the sustainability of the plan was in jeopardy at the funding levels in place in the 1990s. This is when the Stewards of the CPP made several important changes. First, contribution rates were increased and phased in over several years. Second, the CPPIB was established to invest the funds not needed to pay benefits in a diversified portfolio of assets and to professionally manage those assets. This built a sizable reserve fund intended to ensure benefits for the baby boom generation that shouldered the higher contribution rates. Third, a triennial review cycle was established to assess the sustainability of the CPP on a regular and ongoing basis. Finally, a provision was introduced into the CPP legislation that required any new benefits added to the CPP be fully pre-funded. In essence, these decisions firmly put the CPP on a long term sustainable basis going forward.

Despite these reforms, the CPP is still not a fully-funded pension plan as the plan is funded on a ‘steady state’ basis. This means that contributions coming in are used to pay benefits going out. Excess contributions are invested to build the CPP fund. It is expected that investment returns will be not be required to support annual benefit payments until at least 2021.

Most occupational defined benefit pension plans are pre-funded by design, although they can run into funding difficulties when investment returns or contributions are insufficient and the sponsor’s reaction is insufficient to correct the deterioration in the asset to liability ratio. The Additional CPP is a pre-funded defined benefit design.

Like a traditional occupational defined benefit pension plan, the CPP provides a “pension promise”. The pension promise is that contributors will receive a CPP pension benefit calculated on a known formula. The pension promise also extends to other benefits provided through the plan (such as indexing, disability, death, and survivor benefits).

There is a degree of ambiguity in what Canadians commonly understand they can expect from the CPP. Clearly the CPP requires Canadians and their employers to make contributions to the plan, deducted bi-weekly off their paycheques, in return for which they receive a retirement benefit equivalent to 25% (the Additional CPP increases this to 33.3%) of their career average
earnings up to an earnings ceiling of $57,400 (2019)\textsuperscript{1}. However, a significant proportion of Canadians are concerned that the CPP won’t be there for them when they retire. This sentiment is possibly a hold-over from the 90’s sustainability crisis, when this very risk was quite high. The 90’s changes to the CPP put the plan back on track and since that time, it has been sustainable within the legislated contribution rate. The Chief Actuary continues to find in each successive valuation of the CPP that the plan is sustainable going out at least 75 years based on the current contribution rates. The Additional CPP does not change this as it is a pre-funded benefit.

**Principles**

**Integrity:** Steward decision-making and actions are carried out in a principled manner.

**Accountability:** Stewards are accountable to citizens in their jurisdiction and collectively to all Canadians. They must also function within their own respective government policy, fiscal and human resource frameworks, and its legislative environment.

**Sustainability:** Stewards are responsible for the financial well-being of the CPP and ensuring that funding (contributions) is sufficient to maintain the existing benefit structure.

**Transparency:** Stewards decisions and actions are open and transparent, as appropriate.

**Engagement:** Stewards do not communicate with Canadians frequently. When there are major changes to benefits or contributions, more frequent communications may occur. The federal government plays a key role in communicating on behalf of the Stewards. CPPIB has also begun to play a more active role in communicating with Canadians regarding the CPP.

**Capacity:** The Representatives of the Stewards are knowledgeable and informed regarding the CPP and the broader retirement income system. This knowledge base is cultivated to ensure the continuity of the function. Professional advisors are also available from the CPPIB, ESDC, the Chief Actuary, and other sources to assist Stewards and their Representatives.

\textsuperscript{1} This amount changes annually based on the average Canadian industrial wage. The Additional CPP has a 14% higher earnings ceiling that will be established over two years beginning in 2024.
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Diversity: Stewards recognize there are different demographics and priorities in respect of the CPP and that this diversity must be reflected in considerations and decisions of the Stewards. Diversity characteristics are also reflected in the composition of the CPPIB Board of Directors, however the primary considerations are professional skills and experience that meet the competency requirements of the Board.

Priorities

The top priorities as they relate to Stewardship of the CPP are to:

1. Preserve the sustainability of the CPP, as measured by the Office of the Chief Actuary.
2. Ensure the Board of Directors of the CPPIB is well appointed and that strong succession and recruitment plans are maintained.
3. Protect and improve upon the governance of the CPP.
4. Ensure clarity of purpose and adequate information is available to Canadians in respect of CPP governance, benefits, and contributions.

Key Assumptions

Government Related

- The Stewards of the CPP are collectively accountable to Canadians and must function within the parameters of the governance system for the CPP.
- The Stewards conduct the affairs of the CPP in a fiduciary manner, thus serving the interests of Canadians in relation to the CPP, and protecting the Stewards from criticism over their decisions.
- Pensions require long term horizon considerations – including intergenerational dynamics – whereas the provincial fiscal framework typically represents a three year planning term.
- The CPP Stewards are also provincial Ministers of Finance. There may be times where the priorities of these roles conflict. The Representatives of the Steward have similar challenges in the pension roles they play and are experienced in balancing these roles. They can provide support for the Steward in this capacity as well.
- The Minister of Finance considers pension benefits in the context of total compensation and recognizes pensions as a tool with regard to recruitment and retention.
- The Minister of Finance recognizes the relationship between adequate pension income and use of government programs for low income seniors.
- The Minister of Finance supports the modernization of pension plans to reflect relevant long-term demographic trends and needs, and greater equity in the plans themselves.
Interjurisdictional

- The various federal, provincial and territorial governments involved in CPP governance do not all have pension expertise at their disposal.
- Government employees acting as Representatives of the Stewards in some jurisdictions perform CPP-related duties off the side of their desk, and not as a primary function.
- Governments will frequently have other interests or priorities that can become intertwined in CPP business, as both are conducted in an intergovernmental relations forum. As such, it is important for the Representative of the Steward to remain connected (through the Intergovernmental Relations Secretariat (IGRS) in the Premier’s Office in B.C.) to the broader interests and priorities of government.
- From time-to-time, CPP-related issues or broader retirement security issues become elevated to the level of Canada’s Premiers (Council of the Federation). In these instances, it becomes even more important for the Representatives of the Steward to remain connected with IGRS.

Related to Governing Authorities and Institutions

- Stewards respect and uphold the legislative parameters of the CPP Act and CPPIB Act.
- CPPIB has an independent, arms-length operating mandate from governments. However there is an MOU between the CPPIB and the CPP Stewards regarding how the CPPIB supports and shares information with the CPP Stewards.
- The Office of the Chief Actuary (OCA) has an independent, arms length operating mandate from governments. There is an MOU between the OCA and the CPP Stewards regarding how the OCA supports and shares information with the CPP Stewards.
- The various standing committees for Representatives of the Stewards that exist in the governance of CPP and CPPIB have terms of reference and functions that are important to the day-to-day administration of the governance of the CPP and CPPIB.
- Federal government departments (ESDC and CRA) administer the CPP.

Environmental Scan

Effective Characteristics

- The CPP governance structure is broadly considered internationally to be a best practice standard in the retirement industry. Independence, aggregation for scale, professional and internalized (low cost) asset management and regular actuarial assessment are all strengths of the CPP model.
- Success in the Canadian pension investment model, which includes scale aggregation in investment pools and significant in-house investment capacity, attracts the attention of
governments interested in tapping pension funds for infrastructure investments. Pension fund administrators are required to invest in the best financial interest of their members.

- CPP and CPPPIB have many skilled, knowledgeable, experienced, enthusiastic, and dynamic people involved in the administration, management, investment and governance of the plans. While provincial and territorial pension expertise may be minimal from time to time, pension expertise exists in the Office of the Chief Actuary, ESDC, and the CPPIB.

- Stewards, Representatives of the Stewards, and professional advisors to them have a desire to make the best decisions for the CPP and Canadians.

- B.C. has pension experts supporting the CPP Steward and Government Pension Plan Partner. This provides B.C. with an advantage in identifying and pursuing strategic pension policy, where CPP issues connect to public sector pension and labour relations issues. And it is demonstrated in the leadership role B.C. takes at the officials and Steward level.

**Challenging Aspects**

- Internal capacity for pension functions when fully staffed is only two pension experts in the PSEC Secretariat. While this is more than what some jurisdictions are able to bring to the Committee of Officials, it is still challenging. This presents a necessity for strong succession planning for these roles, as the expertise is difficult to recruit and involves a significant amount of experiential growth. Broad-based pension knowledge is not necessarily available within each of the provincial and territorial jurisdictions involved in CPP. It may be due to how the government offices are organized or that other issues take precedence from time to time.

- Minimal engagement between governments and employers. Some avenues exist (B.C. – PSEC Secretariat network with public sector employers; CRA with private sector), but they are neither comprehensive nor frequently used.

- Criticism of the CPP can frequently become public debate in the media and there is not an objective, neutral party that can provide factual information to ensure the record is accurate. CPPPIB has been positioning itself to fulfill this role. CPP Stewards are usually silent.

- Investment returns are not expected to be in the double digit range any longer, and since these returns account for 75%-80% of pension under the Additional CPP, this is an important consideration for the performance of the CPPIB. Alternative strategies to address this challenge are evolving in the industry and are extremely fluid over time.

- Beneficiaries are living longer and healthier lives, increasing the cost of benefit expenditures and the risk to active member and employer participants of paying higher contributions. However, employees are increasingly choosing to work longer, especially where phased retirement options are available (these options are available in the CPP). Additionally, demographic projections are indicating concern with an aging population base resulting in a lower percentage of the population working, more people drawing retirement benefits, and increasing health care benefit demands. Perspectives on retirement, pre-retirement, and the duration of working years are changing.
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Opportunities

- Participating in CPP forums provides insight into the intergovernmental priorities of other jurisdictions. This can be particularly useful in respect of the federal government if they are contemplating systemic changes in the retirement income system (Old Age Security or Income Tax Act changes for example).
- Canada (and the CPP) can become international leaders in terms of retirement income system reform and retirement preparedness of Canadians. The policy objectives of the federal government may influence this direction heavily. B.C. can support and steer this direction through strategic pension policy leadership at the Committee of Officials and with the Steward.
- Improving Canadians’ confidence in the CPP and establishing CPP governance and plan design as a best practice model in the minds of Canadians and internationally will contribute to the sustainability of the CPP. B.C. can support this objective by championing a more active role of the CPP Stewards in communicating the value of the CPP and its sustainability to Canadians.
- Improving CPP governance can enhance the already strong international perception of the best practices standards of the CPP. B.C. can support this through taking leadership in moving the CPP Governance Framework to completion. B.C. can also continue to build greater pension expertise and knowledge internally while ensuring a robust succession plan is established and maintained.

Potential Challenges/Risks

- Criticism of the CPP and CPPIB erodes Canadians’ trust in these institutions. Since first going public with the proposed amendments to the CPP there have been many negatively spun articles and posts, often with inaccurate statements and references. Rather than engage on these articles, the responses to these negative perspectives has largely come from independent supporters.
- Differing provincial objectives in respect of CPP or retirement income system policy puts CPP plan design changes, sustainability decisions, and policy objectives at risk.
- Changes in provincial governments alters policy priorities with respect to the retirement income system and the CPP.
- Changes in the federal government alters policy orientation with respect to the retirement income system and the CPP.
- Balancing B.C. government’s responsibility to British Columbians (as Minister of Finance) and to all Canadians (as CPP Steward), with B.C. government’s policies and fiscal plan and with its responsibilities to the province’s public sector pension plans.
- Finding solutions to challenges in a constrained fiscal environment.
- Pension capacity in governments and limited pension knowledge base – pension expertise is not widespread and requires experiential growth.
Objectives/Action Plan

- Participate in CPP and CPPIB forums to maintain current knowledge of intergovernmental priorities of other jurisdictions and take a leadership role in discussions related to potential systemic changes in the retirement income system (Old Age Security or Income Tax Act changes for example).
- Continue to take a leadership role to ensure strong strategic pension policy leadership at the Committee of Officials and with the Steward.
- Support CPPIB in promoting the CPP governance model, plan design and investment management structure. Balance this with oversight responsibilities and provision of constructive advice to CPPIB. But also champion a more active role of the CPP Stewards in communicating the value of the CPP and its sustainability to Canadians.
- Support the improvement of CPP Governance to enhance the already strong international perception of the best practices standards of the CPP by taking leadership in moving the CPP Governance Framework to completion.
- Engage with plan employers and public sector pension boards more frequently and continue to support improved knowledge of CPP governance and plan design.
- PSEC Secretariat will continue to expand the pension knowledge base within B.C. Government with regard to CPP governance, plan design and the broader pension environment through internal pension forums, collaborations, and ongoing succession planning.

Desired Outcomes

- The CPP plan and its governance becomes firmly accepted and understood as a foundational element in Canadians’ retirement planning.
- Criticism of the CPP and CPPIB abates.
- Successive triennial valuations demonstrate positive sustainability without need for benefit or contribution adjustments.
- Key players in B.C. government are knowledgeable and have strong, trusting, and cooperative relationships with the Representative of the Steward and supporting positions.
- Longer-term continuity in pension capacity and support for the Steward function is established.

Indicators of Success

General
- The Additional CPP is fully implemented.
- Canadians’ trust and pride in CPP becomes firmly established.
- Criticism of the CPP and CPPIB declines or dissappears.
- International interest in CPP governance and plan design continues to increase. Canada climbs in international rankings of retirement income systems.
• Retirement income security concerns amongst Canadians declines.

British Columbia
• B.C. continues to play a leadership role in CPP governance and broader retirement income system reforms.
• B.C. is able to leverage strategic pension policy objectives in respect of the retirement income system out of the CPP governance relationships. Federal policy initiatives related to OAS/GIS, Income Tax Act, retirement income security and pension reform are anticipated and influenced (to the extent they can be).
• Roles and responsibilities related to the B.C. CPP Steward are clear.
• The B.C. Steward, the Steward Representative, and supporting roles are knowledgeable and have strong, trusting and cooperative relationships with the other jurisdictions and stakeholders.
• Transitions of Steward responsibilities to new Ministers of Finance occur seamlessly.
• Longer-term continuity in pension capacity and support for the B.C. Steward of the CPP is established via development of a succession plan for the Representative of the Steward and supporting positions.

The information in this Stewardship Framework represents the interests of the Steward of the CPP and it will guide the considerations, actions and decisions of the Representative of the Steward.

The Steward of the CPP will review the principles and framework from time to time to ensure it continues to accurately represent its interests.

Honourable Carole James
B.C. Minister of Finance and Steward of the CPP