



For Immediate Release:

World Bank report shines spotlight on Canadian pension model

Canada's top pension funds share best practices for building world-class pension organizations



CDPQ



HOOPP
Healthcare of Ontario
Pension Plan



OPTrust

November 22, 2017 (Toronto, ON) - Canadian public pension funds and pension plans are regarded as among the best in the world, but they underwent an evolution of changes to get to where they are today. Because of their success, the **World Bank Group** partnered with four Canadian pension funds, [Alberta Investment Management Corporation \(AIMCo\)](#), [Caisse de dépôt et placement du Québec \(CDPQ\)](#), [Healthcare of Ontario Pension Plan \(HOOPP\)](#), and [OPTrust](#), as well as the **Government of Ontario** on a report that studies the evolution of these plans.

The World Bank Group will use the report, authored by Toronto-based firm [Common Wealth](#), to inform its work to strengthen retirement security in emerging economies and increase dialogue on successful pension models in Canada.

World Bank CFO [Joaquim Levy](#) attended the launch of the report “**The Evolution of the Canadian Pension Model**” today at **The Omni King Edward Hotel**. Hosted by the [Canadian Club Toronto](#), a panel discussion showcased the evolution and endeavours of the pension funds and offered lessons for emerging economies seeking to improve their retirement systems and public pension institutions.

Based on in-depth interviews with some of Canada's top pension leaders and case studies of four funds (AIMCo, CDPQ, HOOPP, and OPTrust), the detailed World Bank report covers the essential components of pension plan organizations – governance, people and organization, investments, administration, plan design and funding, and regulation and public policy – and presents a four-phase framework for the evolution of pension organizations. It outlines 14 key lessons and draws out several success factors including:

- Strong collaboration between diverse stakeholders – labour, government, business, and finance – and a sustained relationship built on trust

- Strong, independent governance
- Singularity of purpose – to run the organization like a business and focus on delivering retirement security for plan members
- Presence of strong, ethical leadership at the top and throughout the organization
- Recruitment and retention of top global talent with a competitive and performance-based compensation framework
- Critical “founding” stage of a new or reformed pension organization
- Governments creating the right regulatory environment
- Investments managed in-house rather than outsourced to third-party fund managers

The report also highlights seven challenges that will shape the future of the Canadian pension model.

Download the Report (PDF): <https://openknowledge.worldbank.org/handle/10986/28828>

Remarks were given by:

- [Joaquim Levy](#), Managing Director and Chief Financial Officer, World Bank Group
- [Christine Hogan](#), Executive Director for Canada, Ireland and the Caribbean, World Bank Group

Panelists included:

- [Jim Keohane](#), President and CEO, HOOPP
- [Hugh O’Reilly](#), President and CEO, OPTrust
- [Kim Thomassin](#), Executive Vice-President, Legal Affairs and Secretariat, CDPQ
- [Kevin Uebelein](#), CEO, AIMCo

The panel discussion was moderated by **Terrie O’Leary** (EVP, Business Strategy and Operations, [Toronto Global](#)).

World Bank Group – Managing Director and Chief Financial Officer, Joaquim Levy

“The responsibilities in designing and managing pension funds are immense and long-lasting. Learning from successful experiences is thus extremely valuable for those setting up new systems, as we see in many developing countries that the World Bank is working with. In designing its system, Canada has tackled many of these crucial issues. I am pleased that some of the Canadian funds are among those looking to partner with pension funds in developing countries and help them invest their assets efficiently, productively, and for the long term.”

AIMCo – CEO, Kevin Uebelein

“AIMCo is pleased that the World Bank is acknowledging the important advantages the Canadian Model of investment management offers pension plans in its latest research, and that it has chosen to include AIMCo among the leaders in this space. Canadian pension plans, as

evidenced by those represented in this paper, offer several unique advantages to meet the long-term objectives of clients. The progress these plans have made in the last 10 years is remarkable, and AIMCo looks forward to continuing the important role we play in ensuring the long-term sustainability of our clients' investments."

CDPQ – Executive Vice-President, Legal Affairs and Secretariat, Kim Thomassin

"The report helpfully documents and explains the stages in the evolution of Canadian pension fund investors who, despite their differences, all fit within the Canadian pension model. The narrative resonates with particular saliency for CDPQ, where the evolution continues to this day with our innovative model for infrastructure investments and our expansion into emerging markets."

HOOPP – President and CEO, Jim Keohane

"HOOPP is honoured to be recognized by the World Bank for our role in the evolution of the Canadian Pension Model. We are strong proponents of the importance of independent governance, scale and in-house investing as well as a balance of risk management, investment success and low administrative costs. This allows us to deliver 80 cents of every pension dollar from investments while achieving a 122% fully funded status that ensures HOOPP delivers on its pension promise."

OPTrust – President and CEO, Hugh O'Reilly

"The Canadian pension model has much to offer the ongoing international discussion on pension funding, governance and management. As good pension citizens, OPTrust is pleased to be recognized by the World Bank and to be part of this effort to enhance retirement income security for all."

Ontario Ministry of Finance - Minister of Finance, Charles Sousa

"Canada's pension plans are world leaders in ensuring strong retirement security, and Ontario's pension plans are at the forefront of this evolution. It is no mistake that the World Bank has recognized the strength of our framework, identifying our plans as models for global retirement security."

Common Wealth – Founding Partners, Alex Mazer and Jonathan Weisstub

"Our collaboration on this World Bank report aligns with our mission to expand access to high-quality retirement security. We believe that making the principles and lessons from the best Canadian pension organizations available to stakeholders around the world will have a material impact on retirement security across continents."

ABOUT THE WORLD BANK

The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. It comprises five closely associated institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which together form the World Bank; the International Finance Corporation (IFC); the

Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Each institution plays a distinct role in the mission to fight poverty and improve living standards for people in the developing world. For more information, please visit www.worldbank.org, www.miga.org, and www.ifc.org.

ABOUT COMMON WEALTH

Founded in 2015, Common Wealth is a Toronto-based firm focused on expanding access to retirement security. It has advised pension organizations with collective assets exceeding \$800 billion, as well as unions, associations, and governments, on issues of strategy, governance, regulation, and the design and implementation of retirement plans, products, and institutions. In partnership with the Service Employees International Union, Common Wealth recently created the first retirement plan in Canada for lower- and moderate-income earners. The firm is currently working with a variety of partners to create portable, value-for-money, community-based retirement plans within sectors where most workers lack pension coverage.

ABOUT ALBERTA INVESTMENT MANAGEMENT CORPORATION

Alberta Investment Management Corporation (AIMCo) is one of Canada's largest and most diversified institutional investment fund managers. The Corporation manages more than \$95.7 billion for Alberta pensions, endowments and government funds and is governed by an experienced Board of Directors. AIMCo's goal is to inspire the confidence of Albertans by achieving superior risk-adjusted investment returns. The Corporation was established as a Crown corporation on January 1, 2008. The sole shareholder is the Province of Alberta. Our assets were previously managed by a division of Alberta Treasury Board and Finance.

ABOUT CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

Caisse de dépôt et placement du Québec (CDPQ) is a long-term institutional investor that manages funds primarily for public and parapublic pension and insurance plans. As at December 31, 2016, it held C\$270.7 billion in net assets. As one of Canada's leading institutional fund managers, CDPQ invests globally in major financial markets, private equity, infrastructure and real estate.

ABOUT THE HEALTHCARE OF ONTARIO PENSION PLAN

Created in 1960, HOOPP is the pension plan of choice for Ontario's hospital and community-based healthcare sector more than 321,000 members and retired members and 500 employers. With more than \$70 billion in assets, HOOPP is one of the largest DB pension plans in Ontario, and in Canada. HOOPP is governed by a Board of Trustees with representation from the Ontario Hospital Association (OHA) and four unions.

ABOUT OPTRUST

With net assets of \$19 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a defined benefit plan with almost 90,000 members and retirees. OPTrust was established to give plan members and the Government of Ontario an equal voice in the administration of the Plan and the investment of its assets through

joint trusteeship. OPTrust is governed by a 10-member Board of Trustees, five of whom are appointed by OPSEU and five by the Government of Ontario.

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Media invited to attend

Event Details:

The Evolution of Canadian Pensions - “Lessons Learned: The Emergence and Evolution of the Canadian Pension Model”

Date: Wednesday, **November 22**, 2017

Time: **7:10am**

Location: The Omni King Edward Hotel, **37 King St. East**, Toronto, Ontario

Event website: <https://www.canadianclub.org/Events/EventDetails.aspx?id=3402>

For further information or to arrange interviews, please contact:

World Bank Group
Fernanda Zavaleta, Senior Communications
Officer
202-458-4838
fzavaleta@worldbank.org

CDPQ
Maxime Chagnon, Senior Director, Media
Relations
514-847-5493
mchagnon@cdpq.com

Common Wealth
Janette Luu, Director, Marketing &
Communications
416-371-7669
jluu@cwretirement.com

HOOPP
Judy Mann, Senior Director, Marketing &
Communications
T 416-369-8033, C 416-270-3619
jmann@hoopp.com

AIMCo
Dénes Németh, Director, Corporate
Communication
T 780-392-3857, C 780-932-4013
denes.nemeth@aimco.alberta.ca

OPTrust
Claire Prashaw, Manager, Public Affairs
416-681-3617
cprashaw@optrust.com

**Summary/Backgrounder on the World Bank Report on the
Evolution of the Canadian Pension Model
November 22, 2017**

- Canadian public pension funds and pension plans are regarded as among the best in the world today. They also play a significant role in the Canadian financial system, accounting for \$1.2T in assets under management with more than 20 million contributors and beneficiaries.
- It is a reputation that has been built over many years. Just 20 to 30 years ago, many of the pension plans were funded on a pay-as-you-go basis or had funding deficits. They were largely or entirely invested in domestic government bonds, lacked independent governance, and were administered in an outdated and error-prone fashion.
- A report commissioned by the World Bank – working in collaboration with four participating Canadian pension funds (AIMCo, CDPQ, HOOPP and OPTrust), the Government of Ontario, and Toronto-based retirement security firm Common Wealth – examines the evolution of the Canadian pension model. The purpose of the report was to identify practical lessons learned that could benefit a range of stakeholders in emerging economies looking to design and deliver retirement security systems in a more efficient and sustainable manner.
- The detailed report covers the essential components of pension plan organizations – governance, people and organization, investments, administration, plan design and funding and regulation and public policy – and presents a four-phase framework for the evolution of pension organizations. It outlines 14 key lessons and draws out several success factors including:
 - Strong collaboration between diverse stakeholders – labour, government, business, and finance – and a sustained relationship built on trust
 - Strong independent governance (possibly the most important element)
 - Singularity of purpose – to run the organization like a business and focus on delivering retirement security for plan members
 - Presence of strong, ethical leadership at the top and throughout the organization
 - Recruitment and retention of top global talent with a competitive and performance-based compensation framework
 - Critical “founding” stage of a new or reformed pension organization
 - Governments creating the right regulatory environment
- The report highlights that the Canadian pension funds did not take an identical path in their development. A number of them encountered significant missteps, but were able to overcome them over a period of time.

- Despite the success of the Canadian public pension plans to date, virtually all of them understand and are seized with the challenges and risks that lie ahead and are actively developing and deploying strategies to address these issues. The following are of particular concern:
 - A “low for longer” environment
 - Maturity of plans and ensuring intergenerational equity
 - “Pension envy” sentiments
 - Complexity and competitiveness for good investment opportunities
 - Increasing demands for accountability, transparency and ethical measures
 - Reforms in the regulatory environment
 - Preparation for the next market downturn or financial crisis

- The report defines the “Canadian model” of public pension as a Canadian public pension plan or public pension asset manager that is typically defined-benefit, has a public-sector sponsor or sponsors, and has the following characteristics:
 - **Governance** – the funds operate at arm’s length of governments and sponsors and are overseen by independent boards with strong accountability and transparency frameworks
 - **Scale** – assets under management exceed \$10 billion and are often significantly higher
 - **In-house management by professionals** – a significant portion of investment management and/or pension administration is performed by in-house professionals who receive competitive compensation
 - **Diversification** – the funds’ investments are highly diversified by both geography and asset class, including a significant allocation to alternative asset classes such as real estate, private equity, and/or infrastructure, and significant direct investments in such asset classes
 - **Talent** – the ability to attract and retain top talent at both the board and management level
 - **Long time horizon** – long-term investors are able to withstand short-term market volatility