



L'OFFICE
D'INVESTISSEMENT
DU RPC

La décision d'investir activement

David Denison

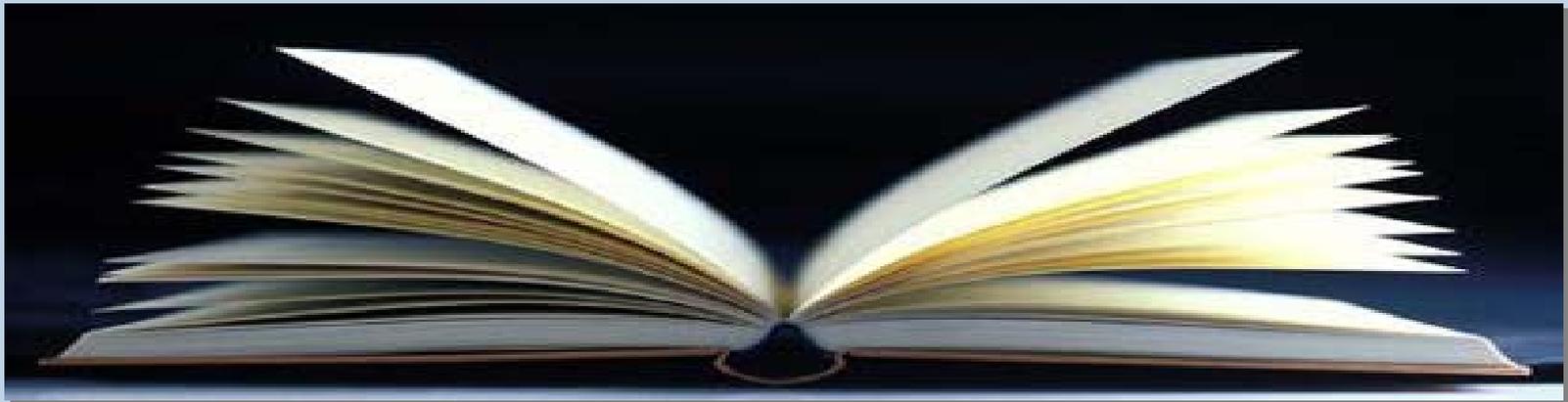
Colloque financier – Schulich School of Business

Le 11 septembre 2007

L'Office d'investissement du RPC

Un sujet intéressant d'étude de cas :

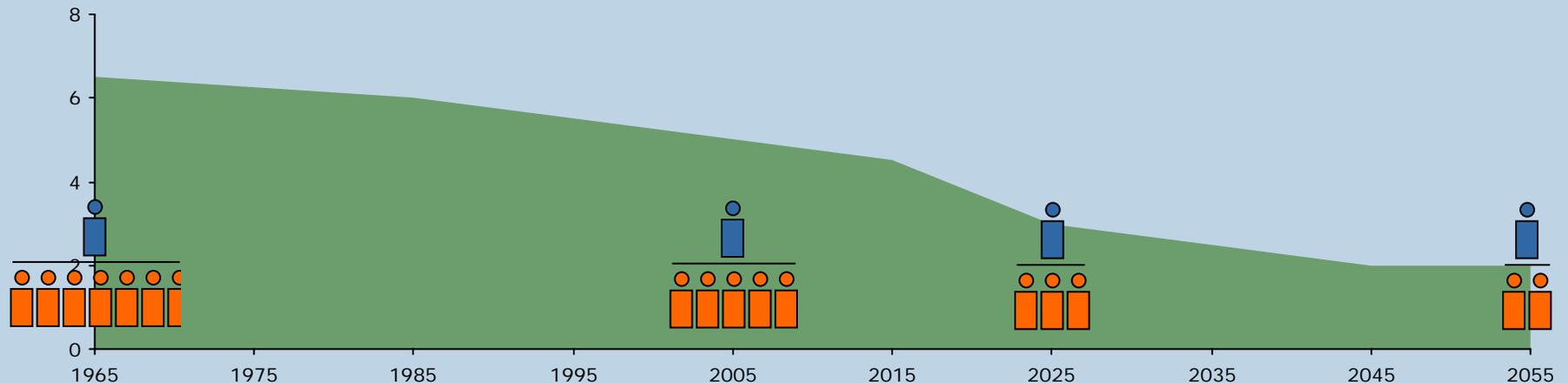
- ▶ Aspects relatifs aux politiques publiques
- ▶ Un défi sans précédent au Canada en matière de placement



Notre raison d'être : perspective historique

- ▶ Une population active de moins en moins nombreuse, aux prises avec le vieillissement de la population
 - En 1966, il y avait 6,5 travailleurs par retraité
 - D'ici 2025, il n'y en aura plus que 3

Ratio de dépendance (ratio des 20-64 ans / 65 ans et plus)



Notre histoire – la réforme du RPC



**Les ministres
fédéral
et provinciaux
ont pris
des mesures
énergiques**

Solution

1997

- ▶ Réduction modeste des prestations
- ▶ Hausse des taux de cotisation produisant des rentrées nettes de fonds
- ▶ Caisse distincte des recettes gouvernementales
- ▶ Création de l'Office, chargé de placer l'actif indépendamment des gouvernements

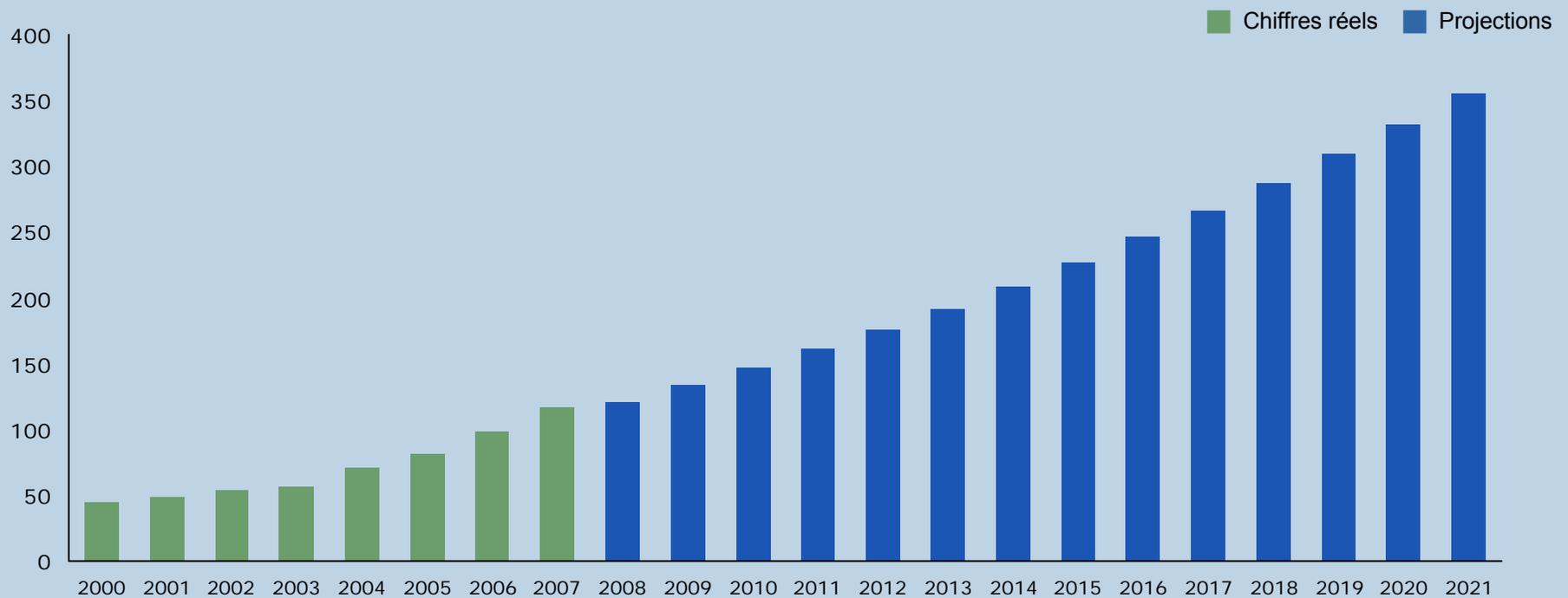
Structure de gouvernance assurant l'indépendance vis-à-vis des gouvernements

- ▶ Formule à respecter pour modifier la Loi
- ▶ Mandat exclusivement axé sur le placement
- ▶ Conseil d'administration constitué de professionnels hautement qualifiés

Croissance prévue du portefeuille

Un défi de taille

Évolution prévue de la caisse du RPC (en milliards de dollars)



Selon les prévisions de l'actuaire en chef du Canada, le montant des cotisations au RPC devrait excéder celui des prestations annuelles versées jusqu'en 2021; les cotisations excédentaires pourront donc être placées pendant encore 15 ans.

Deux options stratégiques

Quelle approche devait suivre l'Office?

Option 1

Faible coût, peu complexe
et peu de risque de polémique

Option valable
de placement passif

Option 2

Approche axée sur la valeur

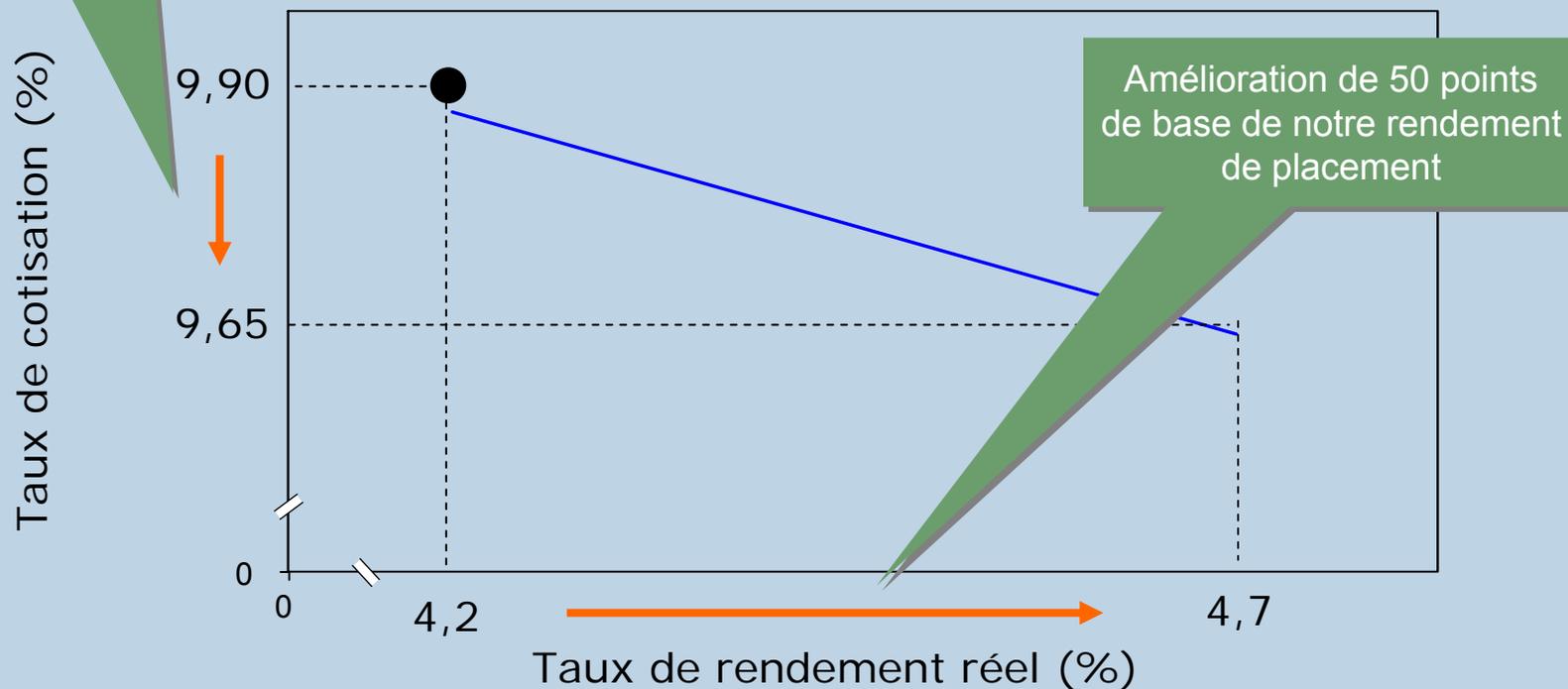
Placement plus actif
visant un rendement corrigé du
risque plus élevé

Nous avons retenu cette option

Apport du placement actif à la viabilité du RPC

Réduction de 25 points de base des cotisations

Incidence du rendement de placement sur le taux de cotisation



Amélioration de 50 points de base de notre rendement de placement

Nos avantages

Atouts structurels

- ▶ Horizon de placement très éloigné
- ▶ Certitude quant à l'actif
- ▶ Taille de notre portefeuille

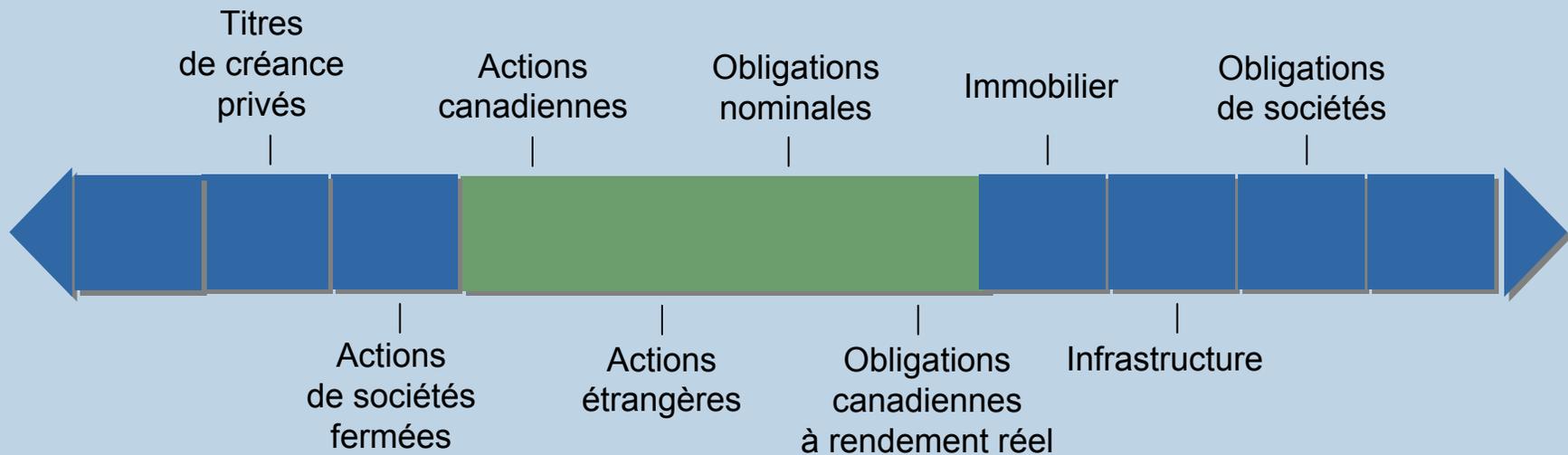
Acquis

- ▶ Approche du portefeuille global
- ▶ Capacités de partenariat avec des sociétés de classe mondiale
- ▶ Culture

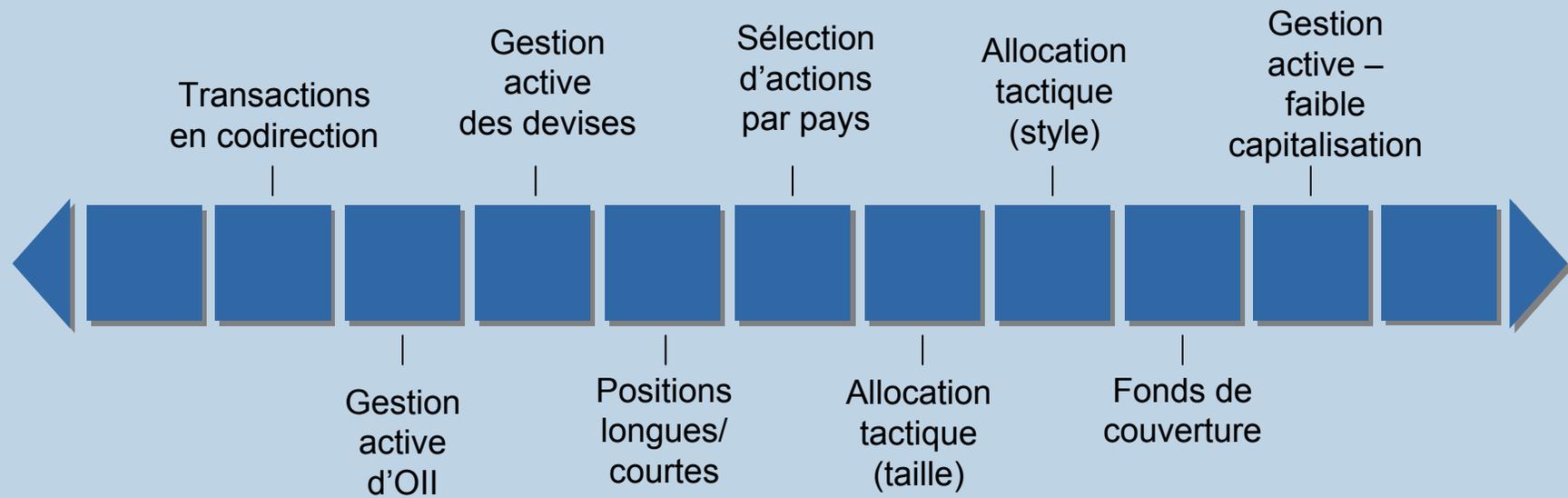
Deux types de rendement de placement

- Rendement bêta – systématique, passif
- Rendement alpha – résulte des compétences

Un portefeuille rapportant un « meilleur bêta »

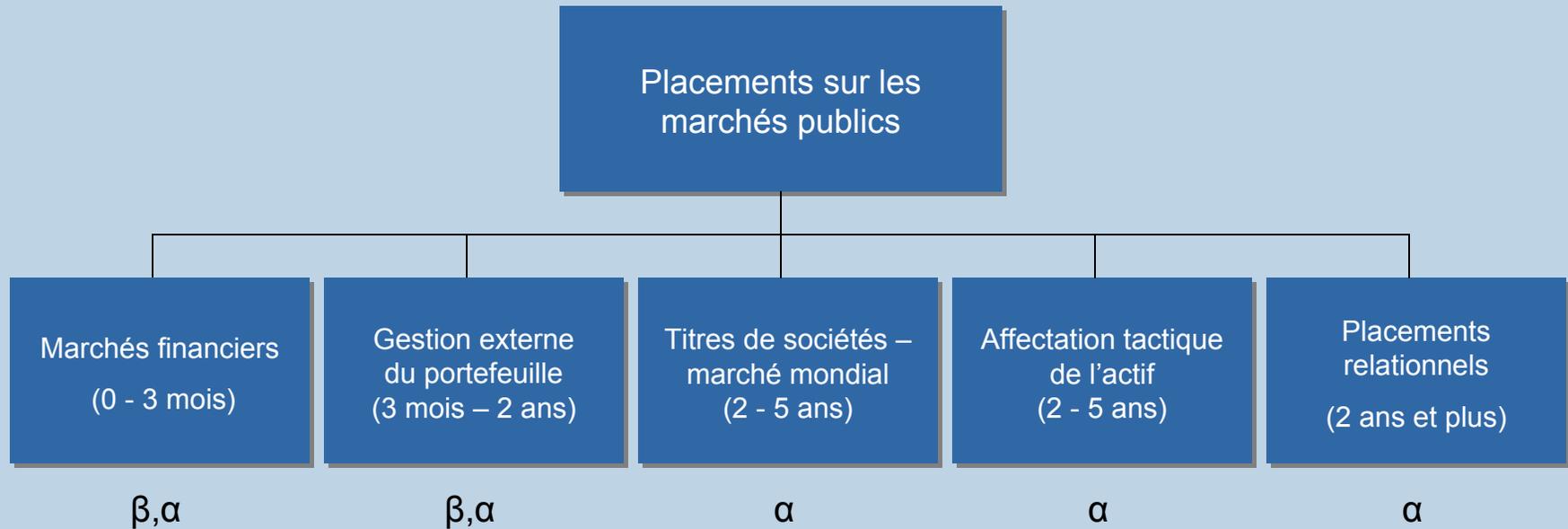


Tirer parti des sources de rendement alpha



Placements sur les marchés publics

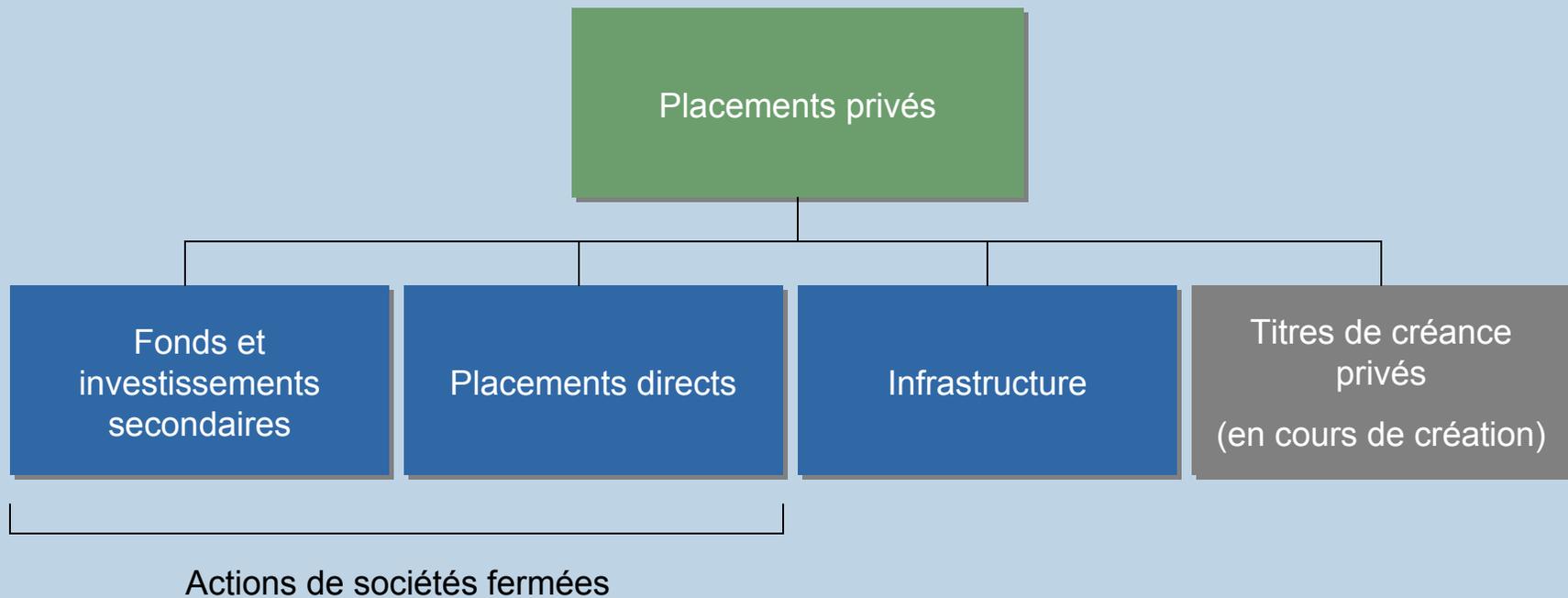
Organigramme du service



β - rendement bêta
 α - rendement alpha

Placements privés

Organigramme du service



Quelques exemples de placements directs

Technologies et télécommunications



Importante société de mise au point et de fabrication de semi-conducteurs

Leader des solutions informatiques intégrées et fournisseur de services d'accès à l'information

SUNGARD

Fournisseur de services de téléphonie et de large bande à faible coût situé en Allemagne

versatel



Importante société de mise au point et de fabrication de semi-conducteurs

Important câblodistributeur d'Espagne



Produits et services de consommation



Important fabricant de générateurs d'électricité à usage commercial ou privé

Le plus grand fabricant et distributeur de matelas de marque Serta aux États-Unis



Important éditeur allemand de journaux

Importante société d'inspection de véhicules de l'Europe du Nord



Produits et services commerciaux



Fabricant de structures pour avions commerciaux

Fabricant et distributeur mondial de barres et de produits tubulaires pour le secteur des services aux champs pétrolifères



Société de vente et de location d'aéronefs

Société mondiale d'information et de médias (anciennement appelée VNU)



Fabricant italien de pièces et de sous-ensembles de turboréacteurs

Services financiers



BONDDESK GROUP

Importante plate-forme de négociation électronique de lots irréguliers de titres à revenu fixe

Exemples de placements en infrastructure



AWG Plc
(1,1 milliard de dollars)



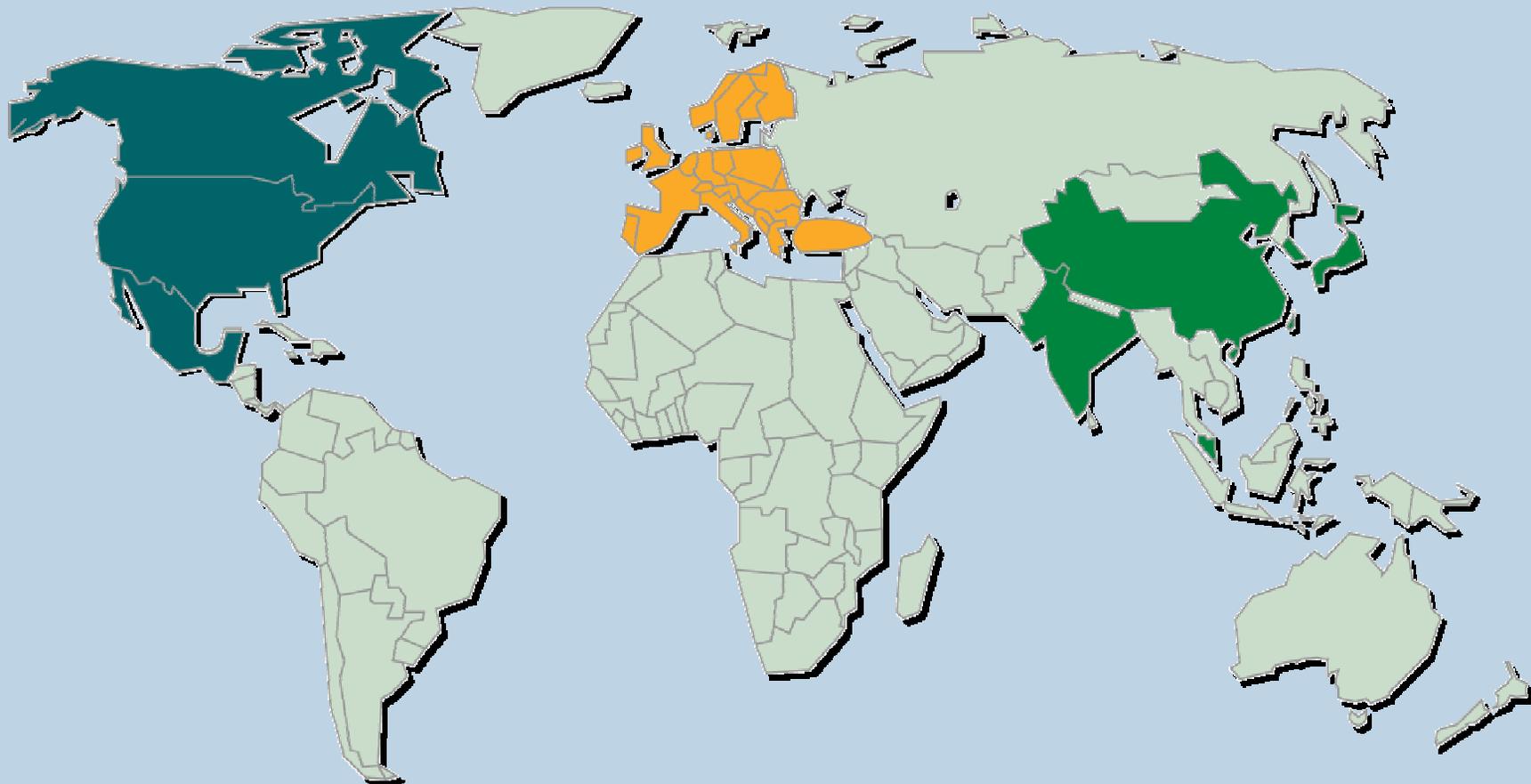
Transelec
(364 millions de dollars)

Placements immobiliers

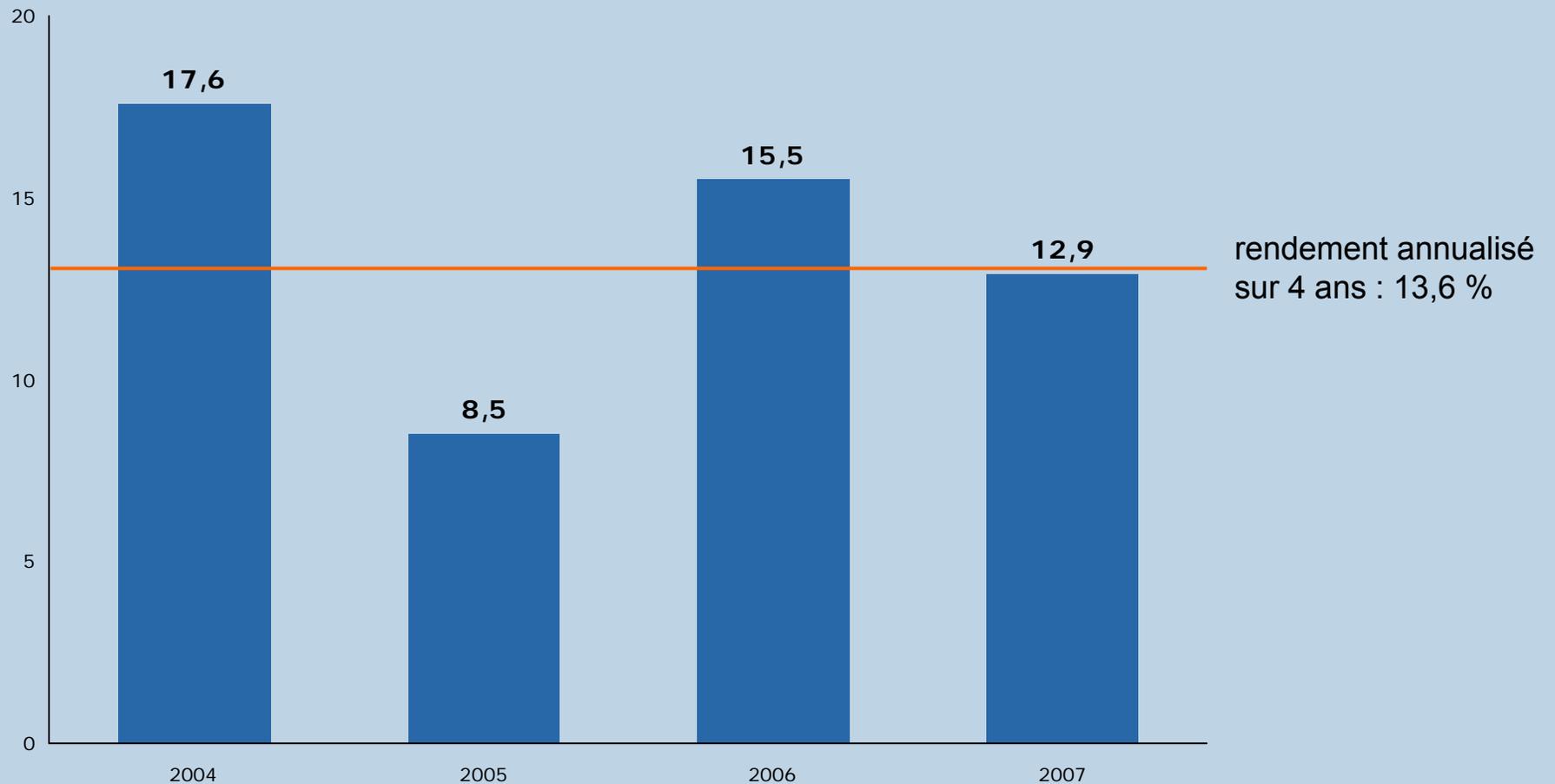
Amériques

Europe

Asie



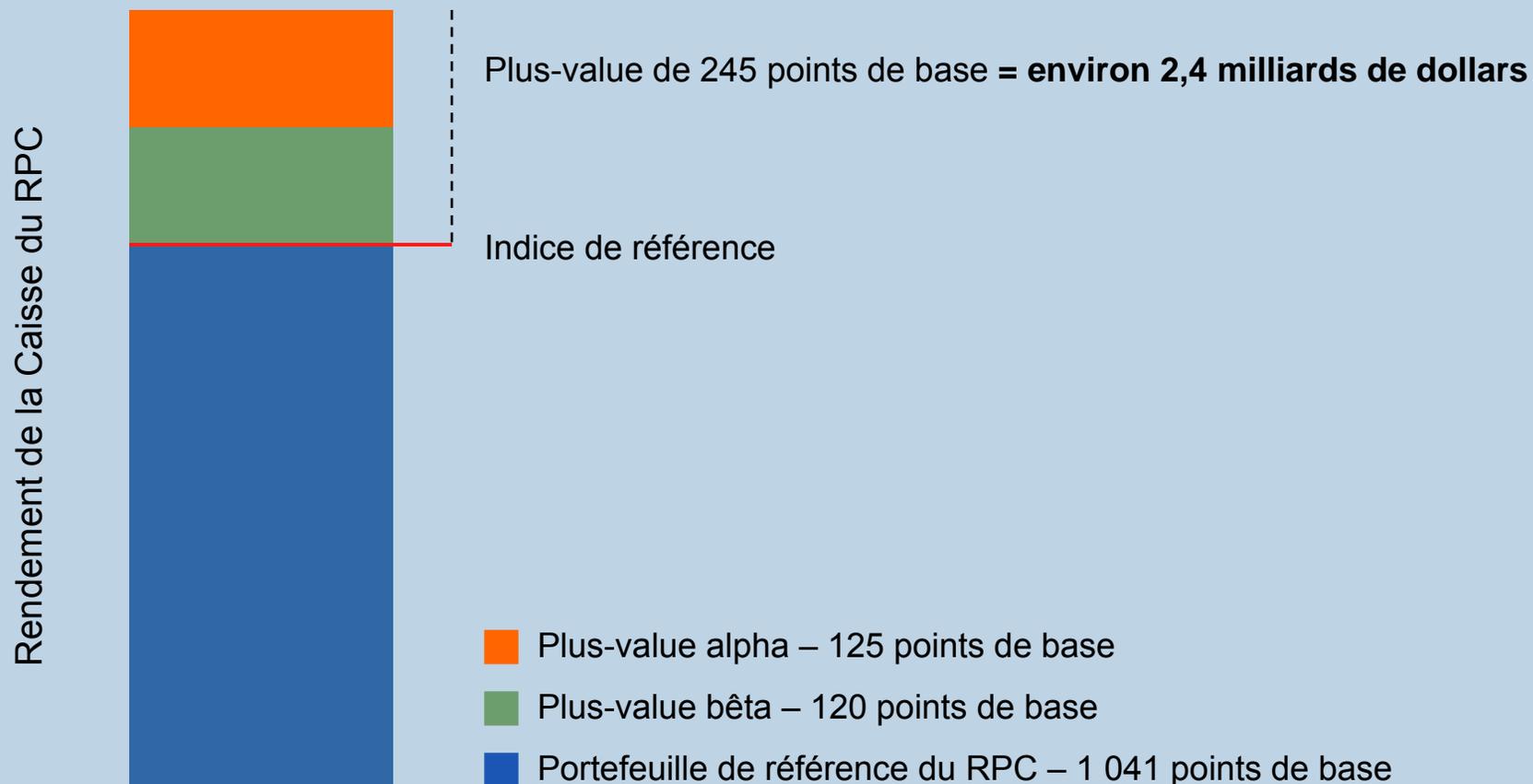
Rendement de placement de la caisse du RPC (%)



Au 31 mars, date de fin de l'exercice

L'argument en faveur du placement actif

Plus-values de rendement de la caisse du RPC – exercice 2007



Croissance de l'Office

Employés à temps plein



*Au 31 mars, date de fin de l'exercice

Prochaines étapes

- ▶ Deux bureaux à l'étranger :
Londres et Hong Kong



Le placement actif est-il trop risqué?

- ▶ Selon William Robson, président et chef de la direction du C.D. Howe Institute, « ... une approche plus passive, plus discrète, serait peut-être plus judicieuse ».

THE CPP INVESTMENT BOARD || DID IT HAVE ANY BUSINESS BIDDING FOR BCE?

Spared for now, our pension plan needs to invest wisely

WILLIAM ROBSON
President and CEO,
C.D. Howe Institute

The battle for Bell Canada put the once-obscure Canada Pension Plan Investment Board into the headlines. Initially a small, passive index investor, the CPPIB, which invests the premiums the Canada Pension Plan takes from our paycheques, has become a major financial player. With higher profile, however, come bigger risks – not just investment risks, but political risks as well.

Politicizing investments – which is the rule rather than the exception for comparable funds around the world – would put a key pool of Canadians' pension saving in danger. The CPPIB's increasing power to reshape Canada's business landscape will expose it to more pressure to serve political ends rather than the needs of Canada's present and future pensioners. Judicious use of that power – i.e. a more passive, lower-profile approach – might be a smarter strategy.

The CPPIB has grown from nothing to behemoth in less than a decade. Until the mid-1990s, the CPP was an unsustainable pay-as-you-go plan – an intergenerational Ponzi game. In 1998, however, the threat that the baby boomers' overtaxed descendants might slash benefits in revolt sparked a controversial reform. The CPP's contribution rate rose rapidly to 9.9 per cent of pensionable earnings. Assets in the resulting fund reached \$17-billion in April and could top \$200-billion by 2013 – enough to pre-fund part of the costs of the boomers' retirement, and sustain the plan for decades.

So the arithmetic is working. But the reforms were controversial even among critics who accepted those projections in advance. What bothered them was potential political control of such a huge pool of savings.

Steering this money into industrial and regional boondoggles would put some of the fund – and the income the CPP will need to hold the contribution rate steady – at risk.

These critics were cynical for a reason. The record of government-managed social security funds around the world ranges from mediocre to catastrophic. Many funds provide little or no information, but of 22 studied in the late 1990s, only two earned better than money-market returns, half were in the red, and three obliterated the savings of their participants.

The engineers of the CPP reforms responded with bulwarks against politicization. Selecting directors for the CPP Investment Board requires agreement between the federal and provincial governments. The board, not governments, selects the fund's CEO. Its mandate is clear: Maximize returns to participants without undue risk of loss. Amending the regulations governing its investments requires agreement by two-thirds of the participating provinces with two-thirds of the covered population.

Again, the record to date is good. Individual MPs have tried to push the CPP to divest from industries or countries they dislike. Activists want to see funding of social housing or money-losing industries. The board has been under pressure to use environmental, social and corporate-governance criteria in investing. But its integrity has faced no severe assault. When last year's federal budget proposed putting future budget surpluses in the fund, opponents feared that taking such funds would open the door to political strings and the possibility of two-way movement of money. The idea was killed.

The Bell episode, however, highlighted two developments that will exacerbate the pressure on the CPP Investment Board's integrity: its growing size, and its more active investing.

Greater size is inevitable – indeed, is critical to sustaining

Investment Board requires agreement between the federal and provincial governments. The board, not governments, selects the fund's CEO. Its mandate is clear: Maximize returns to participants without undue risk of loss. Amending the regulations governing its investments requires agreement by two-thirds of the participating provinces with two-thirds of the covered population.

Again, the record to date is good. Individual MPs have tried to push the CPP to divest from industries or countries they dislike. Activists want to see funding of social housing or money-losing industries. The board has been under pressure to use environmental, social and corporate-governance criteria in investing. But its integrity has faced no severe assault. When last year's federal budget proposed putting future budget surpluses in the fund, opponents feared that taking such funds would open the door to political strings and the possibility of two-way movement of money. The idea was killed.

The Bell episode, however, highlighted two developments that will exacerbate the pressure on the CPP Investment Board's integrity: its growing size, and its more active investing.

Greater size is inevitable – indeed, is critical to sustaining



standing by provincial premier, and a beleaguered minority federal government could let the board's protective structure collapse.

Proponents of more aggressive investing by pension funds will argue that the CPP Investment Board's growing size and ability to take major stakes justify a more prominent role in our business scene. Yet, Canadian assets are a tiny fraction of the attractive investments the world has to offer – the fund can invest to good effect abroad. And pension funds can exploit their size to get better returns than the economy as a whole can support only if there are losers on the other side of what is essentially a zero-sum game. Sometimes, the big money makes the big mistakes.

Even if passive investing is harder now than when the CPP fund was smaller, and even if some pension funds appear to have levered large stakes to boost returns, that is not the end of the story. The risks to the returns that the CPP Investment Board owes Canadians encompass more than financial setbacks. If its new heavyweight role compromises the board's independence, all of us who are obliged to participate in the plan will be the losers. More passive investing would be a price worth paying to keep political hands off our national nest egg.

the 9.9 per cent contribution rate. But as its assets grow, politicians and others will look more covetously at it to fund projects for which they would rather not raise taxes. The plan's defenders cannot insist often or loudly enough that this money is for one purpose only: to pay CPP benefits.

The board's switch from being an indexer (having a portfolio representative of the overall market) managed through arm's-length managers to being an active buyer of large stakes in major businesses and projects, however, will complicate that defence. Pressure on its integrity can only get worse when its purchases, sales and votes affect the location of head offices, the creation and loss of jobs, and the strength of local industries.

Polls already show many Canadians ready to sacrifice returns for "regional balance" in the CPP's investments. The political agendas behind state-controlled funds from other countries such as China set a precedent many will urge Canada to follow. Take a few high-profile takeovers of provincial champions, add some grand-

Le bien-fondé du placement actif

- ▶ L'Office est protégé par un modèle de gouvernance « d'une solidité maximale »
- ▶ Grâce à ses atouts structurels et à ses acquis, l'Office est bien placé pour tirer avantage d'une gestion active des placements
- ▶ Les rendements résultant de la gestion active représentent un avantage important pour les 16 millions de participants au RPC

Conclusion

- ▶ Avez-vous des questions?