



annual report.
of the Canada Pension Plan
2000 – 2001



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ANNUAL REPORT OF THE CANADA PENSION PLAN

Fiscal Year 2000–2001

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the Department of Finance, Canada Customs and Revenue Agency (CCRA), Public Works and Government Services Canada (PWGSC), and the Office of the Superintendent of Financial Institutions (OSFI).

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Her Excellency
The Governor General of Canada

May it please Your Excellency:

We have the pleasure of submitting the Annual Report of the Canada Pension Plan
for the fiscal year 2000–2001.

Respectfully,

John Manley
Minister of Finance

Jane Stewart
Minister of Human Resources
Development

TABLE OF CONTENTS

2000-2001 THE YEAR AT A GLANCE	1
THE CANADA PENSION PLAN IN BRIEF	2
FINANCING THE CPP	3
A Fair Approach to Funding	4
FINANCIAL ACCOUNTABILITY	6
CPP Account	6
CPP Investment Fund	6
CPP Investment Board.....	7
BENEFITS AND EXPENDITURES	9
Retirement Pensions	9
Disability Benefits	9
Survivor Benefits.....	9
Death Benefits.....	10
IMPROVED SERVICE DELIVERY	11
Reaching Out to Canadians	11
Delivering Service	11
Processing Benefits	11
MANAGING THE CPP	13
Collecting and Recording Contributions	13
Administrative Costs	13
The Appeals Process	14
LOOKING TO THE FUTURE	15
CPP On-Line	15
Reaching All Canadians	16
CANADA PENSION PLAN FINANCIAL STATEMENTS	17
FEEDBACK FORM: THE ANNUAL REPORT OF THE CANADA PENSION PLAN — IS IT GIVING YOU WHAT YOU NEED?	31

This report on the Canada Pension Plan (CPP) consolidates input from all departments providing services on behalf of the Plan: Human Resources Development Canada (HRDC), the Department of Finance, Canada Customs and Revenue Agency (CCRA), Public Works and Government Services Canada (PWGSC), and the Office of the Superintendent of Financial Institutions (OSFI).

2000-2001

THE YEAR AT A GLANCE

IN FISCAL 2000-2001:

- The Canada Pension Plan is on a sound financial footing according to the *Eighteenth Actuarial Report*, which provides an actuarial examination of the Plan as at December 31, 2000. The Report confirms that the 1997 federal-provincial CPP Agreement has put Plan finances back on track.
- More than 4.1 million Canadians received approximately \$19.5 billion in benefits from the Canada Pension Plan (CPP).
- 10.6 million Canadians contributed to the CPP.
- 12.5 million Canadian workers received Statements of Contributions.
- Administrative costs (including capital expenditures) amounted to approximately \$335 million, or 1.7 percent of the \$19.5 billion in benefits paid. This compares favourably with administrative costs for other large pension plans and individual RRSPs.
- 2.7 million Canadians received \$13.5 billion in CPP retirement benefits.
- 869,396 surviving spouses or common-law partners and 87,786 children of deceased contributors received over \$3 billion in benefits.
- Over 280,000 people with disabilities and some 93,000 of their children received almost \$3 billion from the CPP Disability plan.
- On March 31, 2001, total CPP assets (net of benefits and other expenditures) were valued at approximately \$45.7 billion and equalled 2.3 years' benefits. The assets were held in provincial and territorial government bonds, short-term investments, and domestic and foreign equities.
- Bill C-23, *An Act to modernize the Statutes of Canada in relation to benefits and obligations*, amended the CPP legislation to extend benefits and obligations to same-sex couples on the same basis as common-law opposite-sex couples.
- Changes to the *CPP Regulations* were also implemented (January 1, 2001) to reflect the (scheduled) increase in the annual contribution rate and the statutory increase in maximum pensionable earnings.

THE CANADA PENSION PLAN IN BRIEF

Almost everyone who works in Canada contributes to the Canada Pension Plan (CPP) or to its sister plan, the Quebec Pension Plan (QPP), and will at some time benefit from their provisions.

Established by an act of Parliament in 1965 and implemented in 1966, the CPP is a jointly controlled federal–provincial plan. Quebec manages and administers its own plan, the QPP, and participates in the decision making of the CPP. Benefits from either plan are based on pension credits accumulated under both. The Plans are financed through mandatory contributions from employees, employers and self-employed persons, as well as from investment income. (Information on the QPP is available from the *Régie des rentes du Québec*: www.rrq.gouv.qc.ca/index.htm.)

While it is perhaps best known for its retirement pensions, the CPP also provides children's, survivor, disability and death benefits. CPP Disability is the largest long-term disability plan in Canada. Vocational rehabilitation services offered under the plan help some disability beneficiaries regain their independence by

making it possible for them to go back to earning a regular salary, following a customized return-to-work plan.

Many Canadians live and work in other countries. Others move here after contributing to a pension plan elsewhere. To help protect their pensions, Canada has entered into social security agreements with other nations. These agreements enable Canadians to receive pensions from other countries and to receive CPP payments abroad. They also permit continuity of social security coverage when Canadians are temporarily working outside the country, and eliminate duplicate contribution payments and eligibility requirements.

Benefit calculations are based on how much and for how long a contributor has paid into the CPP. Benefits are not paid automatically — everyone must apply and provide proof of eligibility. However, once eligibility is determined, CPP benefits are paid even if the beneficiary also receives income from other sources. Benefits are adjusted in January of each year to reflect increases in the average cost of living, as measured by the Consumer Price Index.



FINANCING THE CPP

As joint stewards of the CPP, the federal and provincial ministers of Finance review the Plan's financial state every three years and make recommendations as to whether benefits and/or contribution rates should be changed. They base their recommendations on a number of factors, including the results of an examination of the Plan by the Chief Actuary, who is required under the legislation to produce an actuarial report on the CPP every three years (in the year before the legislated ministerial review of the Plan).

Changes to the legislation governing the general level of benefits, the rate of contributions or the investment policy can be made only by the ministers through an act of Parliament. All such changes require the agreement of at least two thirds of the provinces representing at least two thirds of the population, and come into force only after two years' notice, unless all the provinces waive this requirement. Quebec participates in the decision-making formula, even though it has opted out of the CPP and administers its own Plan. The QPP must be implicated in changes to the CPP if the two plans are to remain parallel.

The Finance ministers' last review of the Plan, in December 1999, was based on the results of the *Seventeenth Actuarial Report on the CPP*, tabled in Parliament in December 1998. The Report confirmed that the 9.9 percent combined employer-employee contribution rate, which will be reached in 2003, is expected to be sufficient to sustain the Plan indefinitely as larger numbers of Canadians reach retirement age.

During the 1999 review, the Finance ministers agreed to leave the schedule of contribution rates unchanged, as the actuarial report prepared for the review confirmed the financial sustainability of the Plan (taking into account the projected aging of Canada's population). The report is available at www.osfi-bsif.gc.ca/eng/office/actuarialreports/index.asp. Further information on the 1999 federal-provincial review and previous reviews of the Plan can be found on the CPP Web site: www.cpp-rpc.gc.ca.

During the course of 2000–2001, the Office of the Chief Actuary began work on the *Eighteenth Actuarial Report*. A series of seminars with experts was organized to discuss the key assumptions to be used in the Report. These consultations respond to the recommendations made by the panel of independent actuaries that reviewed the *Seventeenth Actuarial Report*. A summary of the panel's recommendations can be found at www.osfi-bsif.gc.ca/eng/office/actuarialreports/index.asp.

Since the end of the 2000–2001 fiscal year, the Chief Actuary has completed the *Eighteenth Actuarial Report*. It was tabled in Parliament by the Minister of Finance on December 10, 2001. The Report, which provides an actuarial examination of the Plan as at December 31, 2000, confirms that the 9.9 percent combined employer-employee contribution rate scheduled for 2003 and thereafter is expected to be sufficient to sustain the Plan indefinitely. The *Eighteenth Actuarial Report* will be reviewed by a panel of independent actuaries and will serve



as the basis for the financial review of the Plan by the Finance ministers in 2002. The *Eighteenth Actuarial Report* can be found at www.osfi-bsif.gc.ca/eng/office/actuarialreports/index.asp.

A FAIR APPROACH TO FUNDING

When it was introduced, the CPP was designed as a pay-as-you-go plan, with a small reserve. This meant that the benefits for one generation would be paid largely from the contributions of later generations. This approach made sense under the economic, financial and demographic circumstances of the time. The period was characterized by a rapid growth in wages and labour force participation and low rates of return on investments.

The federal and provincial governments decided to keep contributions at a reasonable level while beginning to pay full retirement benefits as early as the mid-1970s. This was important — many of the seniors who received benefits at that time had been unable to accumulate sufficient retirement savings because of the Great Depression and two world wars.

However, demographic and economic developments and changes to benefits in the 30 years that followed resulted in significantly higher costs. When the federal–provincial Finance ministers began their statutory review of the finances of the CPP in 1996, contribution rates, already legislated to rise to 10.1 percent by 2016, were expected to have to rise again — to 14.2 percent by 2030 — to continue to finance the program on a pay-as-you-go basis.

This would have meant imposing a high financial burden on Canadians in the workforce during those years, which was deemed unacceptable by the federal and provincial governments. Therefore, in 1997, they agreed, instead, to change the funding approach of the Plan to a hybrid of pay-as-you-go (in which benefits paid to each generation of retirees are financed from

the contributions of the following generation of contributors) and full funding (in which each generation pays for its own benefits).

Steady-state financing

Under steady-state financing, the contribution rate is scheduled to increase incrementally (from 5.6 percent in 1996) to 9.9 percent in 2003 and to remain at this level thereafter. Steady-state financing requires that contribution rates be set no lower than the lowest rate expected to ensure the long-term financial stability of the Plan without recourse to further rate increases. (The combined employer–employee contribution rate in 2001 was 8.6 percent, up from 7.8 percent in 2000.)

Steady-state financing will generate a level of contributions between 2001 and 2020 that exceeds the benefits paid out every year during this period. Funds not immediately required to pay benefits will be transferred to the CPP Investment Board for investment in financial markets. The *Eighteenth Actuarial Report* calculates the value of accrued pension benefits at \$487 billion and Plan assets (valued at cost) at \$43.7 billion as at December 31, 2000. However, the future financial health of a plan funded along the lines of the Canada Pension Plan is better measured by the evolution of the projected growth rate of assets and liabilities. The *Eighteenth Actuarial Report* projects total Plan assets are expected to increase from the equivalent of about two to about five years' worth of benefits over the next two decades under the current schedule of contribution rates.

After 2020, as more and more baby boomers retire, and benefits paid begin to exceed contributions, investment revenues from the CPP's accumulated assets will provide the funds necessary to make up the difference. However, contributions to the CPP will remain the main source of funding for benefits.

Plan assets are projected to continue to grow after 2020, at a somewhat slower pace than before 2020 but at least as rapidly as Plan liabilities. As a result, Plan assets are expected to be equal to an increasing number of years of benefits into the foreseeable future. As a result, the *Eighteenth Actuarial Report* concludes that the pool of assets the Plan is expected to accumulate should make it possible to absorb any unforeseen economic or demographic fluctuations, which would otherwise have to be reflected in contribution rates.

A partially funded CPP is not only a good balance between the two approaches, but also

complements the other components of Canada's retirement income system:

- the Old Age Security program, funded by general Government revenues, and
- private savings, including tax-assisted, fully funded employer-sponsored pension plans and registered retirement savings plans (RRSPs).

As a whole, because it has a diversified funding approach, Canada's retirement income system is less vulnerable to changes in economic and demographic conditions than are systems in countries that use a single funding approach.



FINANCIAL ACCOUNTABILITY

Since 1999–2000, the CPP has used the accrual basis of accounting for revenues and expenses. This method gives administrators a more detailed financial picture and allows more accurate matching of revenue and expenditures to the year in which they occur.

As of March 31, 2001, the total net assets of the CPP were valued at approximately \$45.7 billion (equal to 2.3 years' worth of benefits). Net Plan assets are contributions and investment income accumulated since the Plan's inception in 1966, less benefits and expenditures over the same period. Plan assets are expected to increase appreciably over the next 20 years.

CPP ACCOUNT

A separate account, the CPP Account, has been established for the CPP in the accounts of Canada to record the financial elements of the Plan: contributions, interest, pensions and other benefits, and administrative expenditures. The CPP Account also records the amounts transferred to or received from both the CPP Investment Fund and the CPP Investment Board. Spending authority is limited to the Plan's net assets.

The CPP Account consists of an operating balance and a number of short-term investments. The operating balance is maintained at a level designed to cover three months' worth of forecast benefit payments and administrative charges.

During 2000–2001, the operating balance earned an average interest rate of 5.27 percent, or \$362 million. Short-term investments had an average interest rate of 5.63 percent and earned \$12 million.

CPP INVESTMENT FUND

Before the 1998 changes to the CPP's investment policy, funds not immediately needed to pay benefits and maintain liquidity in the CPP Account were invested only in long-term bonds of the provincial and territorial governments, provincial Crown agencies, and the Government of Canada. The CPP Investment Fund will retain investments in these securities until they have matured and/or are redeemed. The balance in the Investment Fund on March 31, 2001, was \$29.6 billion, down slightly from \$30.3 billion in March 2000 because of non-renewal of maturing bonds. All securities held were invested for 20-year terms.

Since 1998, funds coming into the Plan that are not immediately needed to pay benefits and Investment Fund securities that are redeemed have been transferred to the CPP Investment Board to be invested in capital markets. As a transitional measure, all provinces and territories can roll over their CPP borrowings at maturity for one additional 20-year term if they wish, at the same rate of interest as they would pay on other market borrowings.

During the 1999 federal–provincial triennial review, a decision was made to amend the CPP legislation to give the provinces and territories the option of prepaying some or all of their CPP borrowings at market rates of interest, at no cost to the Plan. This option, which was implemented in January 2001, can assist provinces that are paying down their debt.

Interest

In 2000–2001, the Investment Fund earned about \$3.3 billion in interest, which was deposited in the CPP Account. This compares with \$3.5 billion earned in the previous 12 months. (The Canada Pension Plan Financial Statements summarize the status of the Investment Fund as of March 31, 2001.)

Maturing securities are redeemed as they come due, with the principal and any outstanding interest reimbursed by the provinces and territories. In 2000–2001, \$2 billion worth of bonds matured, and of those, \$1.3 billion worth were renewed for additional 20-year terms.

Rates of return

The Investment Fund continues to benefit from the high rates of return for securities that were bought in the early 1980s, when interest rates were relatively high. Since these securities are 20-year government bonds, bearing a weighted average annual nominal return of 10.97 percent (or 7.97 percent when inflation is taken into account), the Fund's average nominal rate of return will remain above nine percent for the next several years. For this reason, the short-term rate of return, based on these investments, will exceed the Fund's expected long-term rate of return of 6.5 percent, or 3.5 percent after inflation.

This long-term rate of return is based on the fact that investments made today have lower returns than did past investments. However, since equities, while more volatile, have historically provided higher returns than bonds in the long term, the new strategy is expected to produce better long-term returns than the previous strategy would have, since it permitted investments in government bonds only and thus prevented diversification of investment.

CPP INVESTMENT BOARD

The CPP Investment Board (CPIB) was created by an act of Parliament in December 1997 to invest funds not required by the Canada Pension Plan to pay current benefits.

On March 31, 2001, the market value of assets invested by the CPIB in Canadian and foreign equities totalled \$7.2 billion, which represented about 17 percent of the Plan's assets. The CPIB's annual report, as well as its quarterly financial statements, can be found at www.cpiib.ca.

The Investment Board operates at arm's length from government. Its legislated mandate is to manage funds transferred from the CPP "in the best interests of the contributors and beneficiaries of the plan." The Board is to "invest its assets with a view to achieving a maximum rate of return, without undue risk of loss." The Board must also consider the factors that affect the Plan's funding and its ability to meet its financial obligations.

In developing its asset mix policy, the CPP Investment Board considers the Plan's bond portfolio and operating reserve, which are administered by the Department of Finance. As a result, it currently invests solely in equities to offset the dominance of these fixed-income securities.

Further information on the CPIB's mandate, structure and investment policy can be found on its Web site.

Current investments

Seventy percent of the CPIB's \$7.2 billion assets was invested in Canadian equity markets and 30 percent in equity markets in the United States, Europe and Asia.

Regulations governing the CPPIB previously required that half the capital allocated to Canadian equities be invested passively in funds that replicate an established stock index — the Board has selected a fund that replicates the TSE 300 Composite Index. The remaining 50 percent of Canadian equity can be invested actively and was placed in a fund based on the TSE 300 Index, less one security that exceeds seven percent of the Index. Outside Canada, the Board can invest actively or passively; it has invested passively — in a fund that mirrors the Standard & Poor's 500 Index of large companies in the United States and a second fund that replicates the MSCI EAFE Index of about 900 companies in Europe, Australia, New Zealand and the Far East.

Stock markets around the world corrected mid-way through fiscal year 2000–2001, after the longest and strongest rise in history. Between September 2000 and March 2001, they experienced the worst six-month declines since 1974, with the TSE 300 Index retreating by 26.2 percent and foreign equities falling by 13.5 percent. As a result, the CPP Investment Board ended the year with a negative return of 9.4 percent, or an \$852 million net loss (compared with a decline of 17.8 percent for the overall markets in which the Board invested). The better-than-market performance reflected the decision to actively manage half the

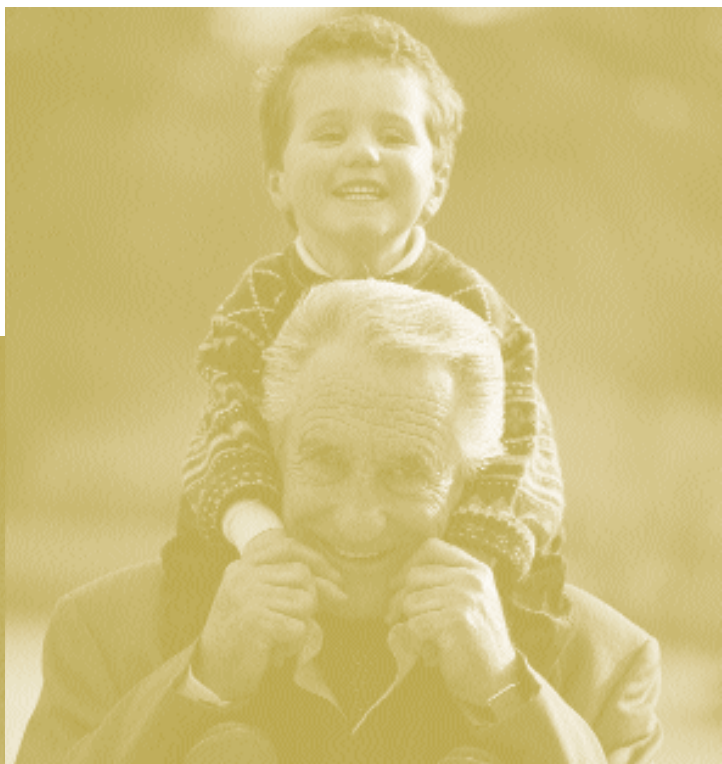
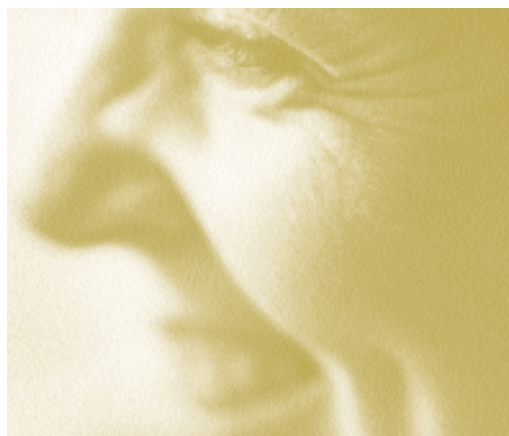
Canadian portfolio by excluding a dominant stock that subsequently declined further in value than the TSE 300 Index.

The regulations requiring the CPPIB to invest half the capital allocated to domestic equities passively were amended in November 2001. As of this time, the CPPIB can actively invest all of the funds that it allocates to domestic equities.

Investing for our future

The CPP Investment Board has expanded into private equities through a fund that provides venture capital. It expects to commit as much as \$1.8 billion to private market investments over the next five years through limited partnerships or pooled funds managed by investment firms in Canada and around the world.

In compliance with its statutory requirement to hold a public meeting in each participating province at least once every two years, the Board held public meetings across Canada in January 2001. The next series of public meetings is tentatively scheduled for the fall of 2002.



BENEFITS AND EXPENDITURES

The number of people receiving CPP benefits has increased steadily over the past decade, as have expenditures to pay for the increased claims. Table 1 shows the yearly increases since 1997–1998.

RETIREMENT PENSIONS

Retirement pensions represent 65 percent of the total number of CPP benefits paid and 69 percent of the total benefit dollars paid out by the CPP in 2000–2001. The amount of each contributor's pension depends on how much and how long he/she has contributed and at what age he/she begins to draw the benefits. In March 2001, the maximum retirement pension was \$775; the average amount paid was \$427.73.

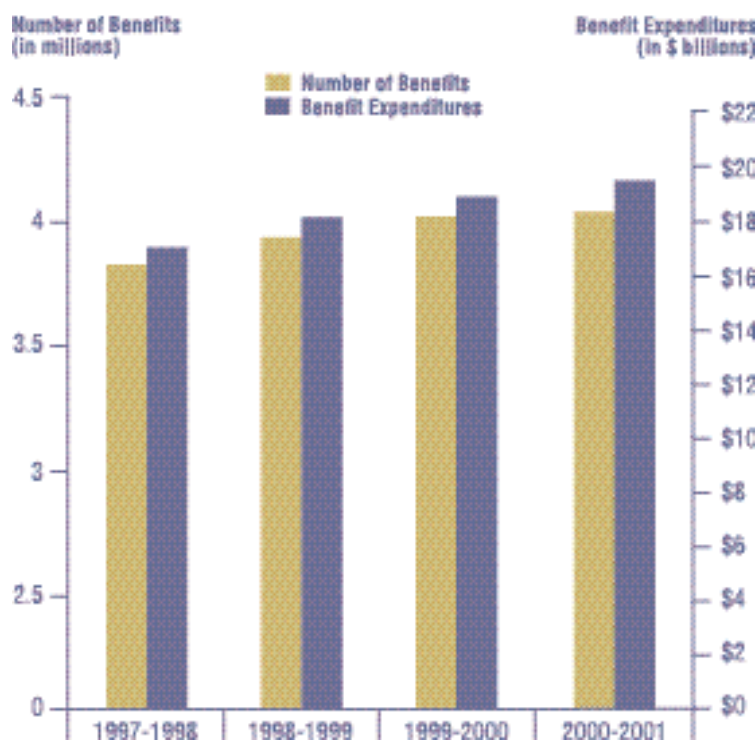
DISABILITY BENEFITS

Disability benefits, paid to eligible contributors and their children, represent nine percent of the total number of CPP benefits paid and 14 percent of the total benefit dollars paid out by the CPP in 2000–2001. In 2001, the maximum monthly disability benefit was \$935.12; the average amount paid was \$700.17. The children's benefit was a flat rate of \$178.42.

SURVIVOR BENEFITS

Survivor benefits, paid to the surviving spouse of the contributor and his/her dependent children, represent 23 percent of the total number of CPP benefits paid and 15 percent of the total

TABLE 1 – BENEFITS AND EXPENDITURES BY FISCAL YEAR



benefit dollars paid out by the CPP in 2000–2001. The amount of the monthly survivor benefit varies depending on a number of factors, including the age of the spouse at death and whether the beneficiary receives other benefits as well.

DEATH BENEFITS

Death benefits represent two percent of the total number of CPP benefits paid and one percent of the total benefit dollars paid out by the CPP in 2000–2001. The death benefit is a one-time payment. The maximum payable is \$2,500; the average payment in March 2001 was \$2,187.12.



IMPROVED SERVICE DELIVERY

REACHING OUT TO CANADIANS

During 2000–2001, HRDC sustained the emphasis on community outreach and communication to help Canadians better understand public pensions and the retirement income system, and to encourage them to actively plan and prepare for their own retirement. Information on the CPP is available in print, on the Internet, in person in local offices, by phone, and at electronic kiosks in government offices and public buildings.

Personalized contact with clients continued to receive high priority; in 2000–2001 HRDC issued personal CPP Statements of Contributions to more than 12.5 million contributors between the ages of 18 and 70. The statements were accompanied by information on the retirement income system in Canada.

DELIVERING SERVICE

In 2000–2001, HRDC focused on maintaining the CPP systems and continuing to modernize CPP program delivery in conjunction with information technology renewal.

Major systems-related initiatives gave CPP staff both on-line access to contributors' record-of-earnings information and the ability to correct errors on-line. The modified computer systems now recognize same-sex relationships and automate the extension of CPP benefits and obligations to individuals in common-law relationships.

New data storage and retrieval features have been added to improve support to external partners, such as provincial social services

departments and workers' compensation boards. These changes have improved client service and the speed with which benefits can be adjudicated and inquiries answered.

Work also continues on the rules-based system — a knowledge base to guide the decision-making process and ensure that legislation, operational policy and procedures are correctly and consistently applied.

PROCESSING BENEFITS

CPP services are offered in person, by telephone and by mail. In 2000–2001, staff processed disability applications (which are complex and require medical information) within an average 68 days. Other types of applications were processed within 31 days (see Table 2).

Better communication with clients and their physicians helped staff make more informed decisions and helped applicants better understand the decisions made. As a result, more than 90 percent of the applications for disability benefits in 2000–2001 were finalized during the initial phases and the number of requests for reconsideration declined by nearly 3,000.

HRDC call centres received some 3.4 million calls about public pensions in 2000–2001. Positive responses to initiatives such as the mailout of personalized statements to CPP contributors and inquiries received during traditionally busy Guaranteed Income Supplement and T4 periods contributed to the increase.

TABLE 2 – SPEED OF PROCESSING NEW APPLICATIONS

National speed-of-service measures	Objective	2000–2001 National Average
Number of working days to process initial CPP applications (excluding disability applications)	28*	31
Number of working days to process initial CPP disability applications	62	68

*Number of days between the date the application is received and the date of the decision.

Note: The definition of the process now includes computer processing for payment, and is based on 100 percent automated census data and client consultations. The data represent an average of the entire dataset specified.

TABLE 3 – TELEPHONE SERVICE STATISTICS*

	2000–2001
Access I: Percentage of clients accessing the HRDC telephone system on the first attempt**	98.0%
Access II: Percentage of clients served by a service agent within 180 seconds of placing a call**	80.9%
Average waiting time to speak with a service agent	78 sec.
Average time clients spend talking to a service agent	237 sec.

* Table includes CPP and Old Age Security totals. Speed of service does not vary between programs.

** Objective for Access I and II is 95 percent.

Managing longer wait-times related to increased call volumes was a challenge confronted throughout the year. This was addressed by directing more staff resources to telecentres and by installing updated equipment and new software designed specifically to manage high volumes and peak periods. CPP is also piloting the use of the Internet to complement traditional telephone services and address the growing need for capacity.

The role of CPP staff who advise and assist the public by telephone continues to become more complex. Direct support through updated on-line reference materials and new national training packages is being implemented to provide comprehensive and consistent training to staff across Canada.

MANAGING THE CPP

COLLECTING AND RECORDING CONTRIBUTIONS

Contributions to the CPP are paid on the portion of a person's earnings that falls between a minimum of \$3,500 that remains constant and a maximum amount that is adjusted annually to reflect growth in the average Canadian industrial wage. The maximum amount of pensionable earnings as of January 1, 2001, was \$38,300 (up from \$37,600 in 2000). Contributions stop once a contributor reaches the age of 70 or begins to receive a CPP retirement pension or disability benefit.

The contribution rates for the year 2001 are 4.3 percent for employees and 4.3 percent for employers. Persons who are self-employed pay both portions, for a total of 8.6 percent. The combined employer-employee rate for 2002 will be 9.4 percent, with self-employed people paying both the employer and the employee share. Approximately 94 percent of contributions come from employers and employees and the remaining six percent from self-employed Canadians.

All CPP contributions are remitted to the Canada Customs and Revenue Agency (CCRA). In 2000–2001, contributions amounted to \$21.162 billion.

CCRA also assesses and verifies earnings and contributions, advises employers and employees of their rights and responsibilities, conducts audits, and reconciles reports and T4 slips. To verify that contribution requirements are being met, CCRA applies a compliance and enforcement process that can vary from a computerized data match to an on-site audit.

There are approximately 1.4 million existing employer accounts. During 2000–2001, CCRA conducted 56,813 audits, concentrating on files with irregularities.

ADMINISTRATIVE COSTS

In 2000–2001, it cost approximately \$335 million to administer the CPP, with HRDC accounting for the largest portion — \$243 million (see Table 4). CCRA required approximately \$78 million and Public Works and Government Services Canada (PWGSC), \$13 million, for services to the CPP. The Office of the Superintendent of Financial Institutions (OSFI), where the Office of the Chief Actuary is housed, and the Department of Finance incurred costs of \$1.1 million and about \$400,000, respectively.

Since the administrative costs of the CPP are drawn from CPP investment income, they are reported in that organization's annual report. This is consistent with the arm's length administration of the Board. In 2000–2001, the CPP reported \$2.3 million in operating expenses.

CPP administrative expenses in 2000–2001 represent 1.7 percent of the \$19.5 billion in benefits paid. This ratio compares very favourably with that of other pension plans. Administrative costs for large pension plans in the private sector, for example, average five percent of expenditures.

CPP administrative costs also compare favourably with those of RRSPs. Table 4 presents the CPP's administrative expenditures for the last three years.

TABLE 4 – CPP ADMINISTRATIVE COSTS 1998–1999 TO 2000–2001

Department/Agency	Expenditures (in \$ thousands)		
	1998–1999	1999–2000	2000–2001
Human Resources Development Canada	\$205,929	\$241,328	\$242,865
Canada Customs and Revenue Agency	75,753	58,193*	77,746
Public Works and Government Services Canada	14,352	14,094	12,810
Office of the Superintendent of Financial Institutions	1,022	1,181	1,102
CPP Investment Board	6,000	N/A	N/A
Finance	530	346	395
Total	\$303,586	\$315,142	\$334,918

* This amount has been reduced by \$13 million as a result of an audit of administrative costs covering the fiscal years 1994–1995 to 1997–1998.

THE APPEALS PROCESS

Individuals have three opportunities to appeal the decision made on an application for CPP benefits. Of all appeals received, almost 95 percent concern an application for disability benefits.

The first level of appeal involves a request to the Minister of HRDC for a reconsideration (or administrative review) of a decision concerning a benefit or a division of pension credits. The number of requests for reconsideration in disability cases declined from 15,354 in 1999–2000 to 12,649 in 2000–2001. During that same period (between April 2000 and March 2001), the number of benefits awarded at appeal increased from 23 to 25 percent.

A person who is not satisfied with the decision made at the departmental reconsideration level can appeal to a Review Tribunal. A Review Tribunal is an independent, impartial body made up of three people chosen by the Commissioner of Review Tribunals from a panel of 300 to 325 part-time members appointed by order-in-council.

The final opportunity for appeal is the Pension Appeals Board (PAB) — a tribunal operating at arm's length from HRDC. Members are federal or provincial superior court judges or former judges appointed by the Governor in Council. Hearings are not automatic at this level; claimants or the Minister of HRDC must request "leave to appeal". Ninety-seven percent of the 2,773 applications for leave to appeal received in 2000–2001 concern CPP disability benefits.

Staff worked closely with the Office of the Commissioner of Review Tribunals (OCRT) and the Pension Appeals Board to improve co-ordination among their offices and to update management practices at the appeals level. As a result, the three organizations have all improved and augmented client communications. The appointment of a significant number of additional members to the OCRT and the PAB also made it possible to process appeals more quickly. Initiatives are in place to increase the volume of cases heard each year, to reduce the waiting period.

LOOKING TO THE FUTURE

In 2000–2001, the CPP made benefit payments to approximately 4.1 million Canadians. Some 300,000 new applications are received each year for various benefits, and a significant increase is expected as our population ages. Current figures predict that the number of people receiving retirement pensions will rise some 40 percent over the next 15 years.

The scheduled increases in the CPP contribution rate and the new investment policies of recent years will allow the CPP to meet the growing financial demands. The additional challenge will be to enhance service delivery to ensure that Canadians can continue to receive timely, accurate and client-focused service.

Two long-term initiatives aimed at meeting that challenge are now underway.

CPP ON-LINE

HRDC has made it a priority to update the support systems that help deliver benefits. Evolving over the next five years, the systems will support better decision making by improving the information available to management, clients and staff through a faster and more up-to-date technological infrastructure and revitalized systems. The improvements will help to further reduce the paper burden and the complexity of the application process.

Putting the CPP on-line is a multi-year project designed to provide Canadians with on-line access to information, data, and services essential to income stability and retirement planning. A comprehensive review of legislation, regulations, policies, and procedures will lay the groundwork for an innovative, leading-edge approach to the on-line delivery of key transactions.

CPP On-Line will also support the objectives of the federal Government On-Line (GOL) initiative (the commitment to provide Canadians with full electronic access to key federal information and services by 2005). CPP On-Line initiatives include the implementation of a Web-based system that permits a wider range of inquiries and client transactions on-line. Six client groups — seniors, people with disabilities, survivors, migrants, low-income pensioners, and contributors — will be the focal point for modernizing CPP service delivery over the coming decade. In this context, the importance of strengthening our technological framework is clear, especially since the fastest-growing group of Internet users is the senior population.

REACHING ALL CANADIANS

Currently, HRDC's programs help millions of people in Canada every day. The Department's primary objective is to ensure that *everyone* receives the benefits to which they are entitled under its programs.

A multi-year strategy has been launched to ensure that all Canadians are aware of the benefits available and to help them more easily obtain those to which they are entitled.

Working in partnership with other departments and with private-sector organizations, the Department is extending its message as far as possible, especially to those who are difficult to contact through traditional methods. Staff will continue to work extensively with the various media — mainstream, ethnic and specialty. Ads, articles, radio and cable TV productions will all be used and, wherever possible, potential clients will be contacted directly through mailings, outreach initiatives and other means.



CANADA PENSION PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001



MANAGEMENT'S RESPONSIBILITY


FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Human Resources Development Canada in accordance with the accounting policies set out in Note 2 to the financial statements.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on best estimates and judgements. The financial information presented throughout the Annual Report is consistent with the financial statements.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Canada Pension Plan* and regulations, as well as the *Financial Administration Act* and regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources Development.



Alan Winberg
Assistant Deputy Minister
Financial and Administrative Services



Claire M. Morris
Deputy Minister

July 18, 2001



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Human Resources Development

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2001 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2001 and the changes in its net assets for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

A handwritten signature in blue ink that reads "Sheila Fraser".

Sheila Fraser, FCA
Auditor General of Canada

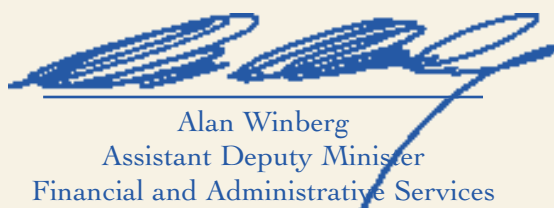
Ottawa, Canada
July 18, 2001

STATEMENT OF NET ASSETS AS AT MARCH 31 (IN MILLIONS OF DOLLARS)

	2001	2000
Assets		
Investments		
CPP Investment Fund – at cost (Note 3)		
Provincial and Territorial bonds	26,188	26,873
Canada bonds	3,403	3,426
CPP Investment Board – at fair value (Note 4)		
Canadian equities	5,024	1,954
Non-Canadian equities	2,131	439
Cash		
Deposit with Receiver General for Canada	6,420	6,261
Receivables		
Contributions	1,415	1,170
Accrued interest	1,139	1,172
Régime des rentes du Québec	24	6
Beneficiaries (Note 5)	46	46
	45,790	41,347
Liabilities		
Accounts payable	51	32
Accrued pensions and benefits	50	53
CPP Investment Board's liabilities, net of its other assets	1	1
	102	86
Net Assets	45,688	41,261
Net Assets, represented by:		
Canada Pension Plan Investment Fund	29,591	30,299
Transfers to Canada Pension Plan Investment Board	7,546	1,933
Accumulated net income / (loss) from Investment Board's operations	(391)	460
Canada Pension Plan Account (Note 6)	6,420	6,261
Receivables, net of liabilities	2,522	2,308
Net Assets	45,688	41,261

The accompanying notes are an integral part of these financial statements.

Approved by Human Resources Development Canada



Alan Winberg
Assistant Deputy Minister
Financial and Administrative Services



Claire M. Morris
Deputy Minister

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

(IN MILLIONS OF DOLLARS)

	2001	2000
Net assets, beginning of year	41,261	39,100
Increase in assets		
Contributions (Note 7)	21,407	17,037
Investment Income (Note 8)	2,849	4,238
	24,256	21,275
Decrease in assets		
Pensions and Benefits (Note 9)		
Retirement	13,527	12,919
Survivors	2,802	2,669
Disability	2,546	2,559
Disabled Contributor's Child	233	245
Death	213	222
Orphan	198	202
Less: Net overpayments	(25)	(17)
	19,494	18,799
Administration costs (Note 10)	335	315
	19,829	19,114
Increase in net assets	4,427	2,161
Net assets, end of year	45,688	41,261

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

1. DESCRIPTION OF THE CANADA PENSION PLAN

a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Human Resources Development is responsible for the administration of the *Canada Pension Plan* (the CPP Act); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 6). The CPP Investment Fund (Note 3) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 4). The financial transactions affecting the Account and the Investment Fund are governed by the CPP Act and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the CPP Act, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

b) Financing

CPP is financed by contributions and investment returns.

Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis – that is, combined contributions are planned to increase to 9.9% of pensionable earnings by 2003 and are then expected to level off.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6% of pensionable earnings. In 1987, it was raised to 3.8% and increased yearly by 0.2% to reach 5.6% in 1996. In 1997, 1998, 1999 and 2000, the combined contribution rate was increased by 0.4%, 0.4%, 0.6% and 0.8% respectively. In 2001, it was increased by 0.8% to reach 8.6%. The maximum combined contribution for 2001 was \$2,993 (2000 – \$2,660).

The CPP Act provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The Seventeenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions was tabled in the House of Commons in December 1998. Federal and provincial ministers of Finance concluded at the end of the 1999 Triennial Review process that the CPP's financial health is sound and that the 9.9% combined employee-employer contribution rate which will be reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, short term and long term investments in bonds and investments in capital markets managed by the CPP Investment Board. The net assets represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2001, the net assets of the Plan are of \$45.7 billion (2000 – \$41.3 billion). This amount represents 2.3 times the total of pensions and benefits for the year 2000-2001.

d) Pensions and benefits

Retirement pensions – A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25% of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30%. The maximum monthly pension payable at age 65 in 2001 is \$775.00 (2000 – \$762.92).

Disability benefits – A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75% of the earned retirement pension. The maximum monthly disability benefit in 2001 is \$935.12 (2000 – \$917.43).

Survivor's benefits – A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5% of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60% of the retirement pension granted to the deceased contributor. The maximum monthly benefit payable to a beneficiary in 2001 is \$465.00 (2000 – \$457.75).

Disabled contributor's child and orphan benefits – According to the provisions of the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2001 is \$178.42 (2000 – \$174.07).

Death benefits – According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10% of the maximum pensionable earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2001 is \$2,500 (2000 – \$2,500).

Pensions and benefits indexation – As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2001 is 2.5% (2000 – 1.6%).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements present the net assets and the changes in net assets of the Canada Pension Plan. They do not provide information on the actuarial estimates required to meet future obligations of the CPP. The CPP Act does not require that the pensions and benefits be pre-funded.

The financial statements are prepared in accordance with relevant acts and regulations. They have been prepared on the accrual basis of accounting and they include amounts which must, of necessity, be based on management's best estimates and judgements.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

b) Valuation of investments

Bonds are shown at cost, which is equal to the face value of the bonds at the time of purchase. This accounting policy has been selected based on the non-marketable, non-transferable nature of the bonds and on consideration of the likelihood of redemption of the provincial and territorial bonds in the foreseeable future. The bonds issued by the provincial and territorial governments are redeemable prior to maturity at market value equivalent at the option of these governments. In the event that the federal Minister of Finance considers the redemption necessary to pay pensions, benefits and administration costs, the bonds would then be redeemed at face value.

CPP Investment Board's investments are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities.

- c) **Contributions** to the Plan include CPP contributions collected by the Canada Customs and Revenue Agency (CCRA) for the year, including receivables at year-end. Funds transferred by the CCRA are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year they are known.

d) Investment income recognition

Interest income is recorded in the year in which it is earned.

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and represents realized gains and losses on disposal or transfer of investments, unrealized gains and losses on investments held at the end of the year, dividend income, interest income, and distributions from mutual and pooled funds. Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent the change in the difference between fair value and cost of investments at the beginning and end of each year.

- e) *Pensions and benefits* are recorded when payable.
- f) *Net overpayments* are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.
- g) *Administration costs* are recorded in the year to which they relate.

3. INVESTMENTS HELD BY THE CPP INVESTMENT FUND

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the CPP Act to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Beginning in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same rate that the province would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets.

All disposals of bonds are made, at maturity date, at face value. Interest earned on the investments is paid semi-annually to the CPP Account. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. The bonds can also be redeemed at the option of the federal Minister of Finance where he considers the redemption necessary to pay pensions, benefits and administration costs. The bonds are then redeemed at face value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2001.

At March 31, 2001, the balance in the Investment Fund was \$29.6 billion at cost (2000 – \$30.3 billion). The estimated fair value of the balance in the Investment Fund, including accrued interest, is \$37.6 billion (2000 – \$37.5 billion). This estimate is calculated by discounting the bonds' contractual cash flows at rates currently available at year-end for similar investments.

The following schedule provides information on the disposals, re-investments and balance of the Investment Fund.

Bonds, at cost
(in millions of dollars)

	March 31, 2000	Disposals	Re-investments	March 31, 2001
Newfoundland	633	43	43	633
Prince Edward Island	140	9	9	140
Nova Scotia	1,173	78	78	1,173
New Brunswick	836	53	53	836
Quebec	96	6	6	96
Ontario	13,117	1,038	629	12,708
Manitoba	1,507	111	—	1,396
Saskatchewan	1,341	87	75	1,329
Alberta	3,776	222	222	3,776
British Columbia	4,250	302	149	4,097
Yukon Territory	4	—	—	4
	26,873	1,949	1,264	26,188
Canada	3,426	23	—	3,403
	30,299	1,972	1,264	29,591

The following schedule presents the classification of bonds by maturity dates and the weighted-average annual rate of return on bonds currently held.

(in millions of dollars)

	2001		2000	
	Investment at cost	Average yield	Investment at cost	Average yield
Investments maturing				
Within 1 year	2,369	15.31%	1,973	12.66%
1 – 5 years	9,529	12.84%	9,534	13.79%
Over 5 years	17,693	9.38%	18,792	9.84%
Total – Investments	29,591		30,299	
Weighted-average yield on investments		10.97%		11.27%

4. INVESTMENTS HELD BY THE CPP INVESTMENT BOARD

The Canada Pension Plan Investment Board was established by an Act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

The following schedule provides information on the Board's investments as at March 31.

(in millions of dollars)

	2001	2000
Canadian equities, at fair value		
Canadian Equities – TSE 300 (Combination of index funds and direct security investments that substantially replicate the TSE 300)	3,057	1,954
Other Canadian Equities (Diversified portfolio of pooled fund and direct security investments)	1,967	–
Total Canadian equities (Cost 2001 – \$5,635; 2000 – \$1,633)	5,024	1,954
Non-Canadian equities, at fair value		
US Equity Index Fund – S&P 500	1,070	220
EAFE Equity Index Fund	1,061	219
Total non-Canadian equities (Cost 2001 – \$2,407; 2000 – \$400)	2,131	439
Total investments	7,155	2,393

In accordance with its Investment Policy, 100% of the CPP Investment Board's investments are allocated to equities, with at least 70% of the book value allocated to Canadian equities and the remainder to non-Canadian equities.

The regulations governing the CPP Investment Board allow the active management of up to 50% of Canadian equities, on a book value basis. The regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indices. As at March 31, 2001, approximately 64% of Canadian equity investments, on a book value basis, substantially replicated the Toronto Stock Exchange 300 Composite Index.

Under the terms of the Investment Policy, investments in non-Canadian equities should substantially replicate broad market indices. Non-Canadian investments are held in funds that substantially replicate the Morgan Stanley Capital International ("MSCI") EAFE Index and the Standard & Poor's ("S&P") 500 Index. Investments are not hedged against changes in foreign currency exchange rates.

The CPP Investment Board's audited financial statements for the year ended March 31, 2001 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio return.

5. RECEIVABLES FROM BENEFICIARIES

(in millions of dollars)

	2001	2000
Balance of pensions and benefits overpayments	76	75
Less: allowance for doubtful accounts	30	29
	46	46

Human Resources Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$33 million (2000 – \$30 million) were established and remissions of debts totalling \$8 million (2000 – \$13 million) were granted. A further \$24 million was recovered (2000 – \$24 million).

6. CANADA PENSION PLAN ACCOUNT

The CPP Account was established in the accounts of Canada by the CPP Act, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

The balance of the CPP Account includes the Deposit with the Receiver General for Canada and any short-term investments. As at March 31, the Deposit with Receiver General for Canada amounts to \$6,420 million (2000 – \$6,261 million). There were no short-term investments at year-end for 2000 and 2001.

7. CONTRIBUTIONS

The Department of Finance estimates annual contributions based on a forecast of pensionable earnings. That forecast of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate those earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 2000, would result, in each case, in a change of \$197 million (1999 – \$162 million) in estimated contributions.

The Canada Customs and Revenue Agency (CCRA) transfers contributions to the CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year and on its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 2000 and 2001 will only be known once the CCRA has processed all employers' and self-employed workers' declarations of contributions for 2000 and 2001.

Adjustments, if any, are recorded in the year in which they are known. The CPP received \$357 million in 2000-2001 as an adjustment for 1999 and preceding years (1999-2000 – CPP paid \$138 million for 1998 and preceding years).

8. INVESTMENT INCOME

(in millions of dollars)

	2001	2000
Interest on bonds held by the CPP Investment Fund	3,326	3,463
Interest on deposit with the Receiver General for Canada at a weighted-average rate of 5.27% (2000 – 4.56%)	362	266
Interest on short term investments with Canada, at a weighted-average rate of 5.63% (2000 – 4.71%)	12	49
Investment Board net income / (loss) from operations:		
Net unrealized gains / (losses)	(1,247)	359
Fund distributions of capital gains and dividends	213	9
Net realized gains	180	89
Other investment income	9	6
Less: Investment and administrative expenses	(6)	(3)
	(851)	460
	2,849	4,238

9. PENSIONS AND BENEFITS MISPAYMENTS

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made.

Human Resources Development Canada undertook a study of the extent and nature of pension and benefit mispayments based on the 1999 payment year. It estimated through statistical extrapolation, the most likely value of undetected mispayments to be \$32.4 million (1998 payment year – \$31.3 million). This includes underpayments of \$21.3 million (1998 payment year – \$24.4 million) and overpayments of \$11.1 million (1998 payment year – \$6.9 million).

10. ADMINISTRATION COSTS

(in millions of dollars)

	2001	2000
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada)	243	242
Collection of contributions (Canada Customs and Revenue Agency)	78	58
Cheque issue and computer services (Public Works and Government Services Canada)	13	14
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
	335	315

Administration costs of the CPP represent the cost of services received from a number of federal government departments and an agency. Those costs are charged to the CPP in accordance with memoranda of understanding.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FEEDBACK FORM

THE ANNUAL REPORT OF THE CANADA PENSION PLAN — IS IT GIVING YOU WHAT YOU NEED?

The CPP Annual Report is designed to help Canadians understand the role of the Canada Pension Plan and how it is managed. It describes developments during the past fiscal year that affect the Plan and provides the Plan's audited financial statements for the fiscal year ending March 31, 2001. The Report also gives a glimpse of where the Plan is headed and what steps are being taken to make sure it will continue to be there for future generations.

We are interested in hearing what you have to say about our report and how we can make it more useful to readers. Please take the time to fill in the brief questionnaire below, circling your responses. Then fax this sheet back to us at (613) 957-1602.

1. What is your purpose in reading the CPP Annual Report?

- To obtain general information about the CPP
- To do research for studies or private business
- To assist in counselling Canadians on their retirement finances
- To assist clients in a medical context
- To find out about the recent changes to the CPP
- Other (please specify) _____

2. What sort of CPP information interests you?

- General information about the CPP, such as benefits and services
- Disability benefits information
- CPP financial information, such as investments and expenditures
- Other (please specify) _____

3. Was the information you needed easy to find in the Report?

☐ YES ☐ NO

(If no, please specify why not) _____



4. Which would you prefer to receive?

- An executive summary of the Annual Report
- A full report
- A short report, with information on where to find detailed information on specific areas
- Notification of the Report's availability and the Web site location

5. How can we make this report more useful to you?

[illegible]

annual report 2000 – 2001
of the Canada Pension Plan

