



The Daily

Statistics Canada

Thursday, August 5, 2004

Released at 8:30 a.m. Eastern time

MAJOR RELEASES

- **Employer pension plans, 2002**

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In 2002, trustee pension funds reported their lowest return on investment ever as stock prices took a sharp downturn in both 2001 and 2002. As a result, employers, who had enjoyed a "contribution holiday" for years, reacted to the decline in profits by almost doubling their pension plan contributions.

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MAJOR RELEASES

Employer pension plans

2002

In 2002, trustee pension funds reported their lowest return on investment ever as stock prices took a sharp downturn in both 2001 and 2002.

In 2000, these funds reported a record-high return on investment of 12.6%, a record high. By 2002, this return had declined to 1.7%, a record low. As a result, employers, who had enjoyed a "contribution holiday" for years, reacted to the decline in profits by almost doubling their pension plan contributions.

Falling stock market prices had a devastating impact on trustee pension funds, according to a census that is conducted every two years.

Consequently, between 2000 and 2002, employers increased their contributions from about \$7.3 billion to \$12.6 billion, a 73% jump.

Canadian stock market prices fell 26% between the end of 2000 and December 2002. In 2000, pension funds made over \$47 billion in profits from the purchase and sale of stocks. By 2002, they had losses on sales of stocks of more than \$11 billion.

Trustee pension plans are a type of employer pension plan where assets are invested in the financial and capital markets. Typically, the value of fund assets increases or decreases as stock prices rise or fall.

There were 3,045 trustee plans registered in 2002, representing about 4.5 million Canadian workers, or about 33% of all paid workers.

Of these 3,045 plans, 82 or about 3%, had a market value of assets of \$1 billion or more. These 82 plans held about three-quarters of total industry assets, and represented 68% of all members. Forty-eight of the largest 82 plans were in the public sector.

Trustee funds a major force in capital and financial markets

As a pool of capital, trustee pension funds are second in size only to the financial assets of the chartered banks and, therefore, constitute a major force in capital and financial markets. They held \$556.8 billion in assets at the end of 2002, a decline of 6.8% from 2000.

The funds had about 28% of their total assets tied up in direct equity investments (stocks). As a result, the value of their assets declined accordingly.

Besides investment in stocks, pension funds had 35% of their assets in pooled, mutual and other types of investment funds, 26% in bonds, 4% in real

Note to readers

This release is based on the 2002 Census of Trustee Pension Funds.

Canada's retirement income system has several important components: government-sponsored social security plans (the Canada and Quebec Pension Plans), employer-sponsored pension plans, and personal savings vehicles, most notably registered retirement savings plans (RRSPs). The total value of the three components in 2002 was estimated at over \$1.1 trillion.

Employer pension plans accounted for \$770.3 billion or two-thirds of the total.

The second largest component of Canada's retirement income system was the personal savings of Canadians in RRSPs, at about \$302 billion or 27% of the total.

Finally, the combined value of assets in the Canada and Quebec Pension Plans was \$67.1 billion, representing 6%.

Employer pension plans are often called registered pension plans (RPPs) as they must be registered with the Canada Revenue Agency and one of the pension supervisory authorities. In total, there were about 14,000 employer pension plans at the end of December 2002, representing about 5.5 million persons, or 40% of all paid workers.

Employer pension plans funded under a trustee arrangement accounted for 3,045 of these plans and about 4.5 million or 82% of all members.

estate, and the remaining 7% in mortgages, cash and miscellaneous assets.

Trustee pension funds invest in foreign assets, primarily in stocks and other equity investment via pooled and mutual funds. In 2002, the amount invested in foreign assets hit \$124.2 billion at market value, or almost 23% of the gross assets of the funds that were required to report on foreign holdings in the 2002 Census of Trustee Pension Funds.

However, the legislation that restricts investment in foreign assets refers to book value (the purchase price of assets, not their market value). When measured this way, foreign holdings at book value equalled just under 25%, up considerably from 20% reported in 2000. In 2001, the foreign content limit was raised from 25% to 30%.

Whereas nearly all of the largest funds are at the legal limit, not all funds invest in foreign assets, particularly the smaller funds. Therefore, the percentage of foreign assets for the industry as a whole will always be below the legislated limit.

Negative cash flow for pension funds

In 2002, trustee pension funds reported total revenues of just under \$50 billion and expenses of just

over \$50 billion. As a result, they had a negative cash flow of \$543.3 million.

This was in stark contrast to 2000 when revenues reached \$88.3 billion and expenditures hit \$32.1 billion. This produced a positive cash flow of \$56.2 billion. The primary reason for the poor results in 2002 was the drop in the market value of stocks.

In 2000, pension funds made over \$47 billion in profits from the purchase and sale of stocks. In 2002, they had losses on sales of stocks of over \$11 billion.

Other forms of investment income (interest and dividends) were also lower in 2002 at \$20.9 billion, compared with \$23.7 billion in 2000.

Substantial jump in both employer and employee contributions

Trusted pension plans are either contributory, meaning employees are required to contribute a portion of the cost of their benefits, or they are non-contributory, meaning they are not required to contribute.

While only a 39% of the 3,045 trusted pension plans were contributory in the 2002 Census, these represented 74% of the trusted plans' membership and 77% of total trusted pension fund assets.

Employees contributed \$6.8 billion in 2002, up 35% from 2000; the contribution of employers reached \$12.6 billion, nearly 73% higher. The reason for the large jump in employer contributions was the recognition by many plan managers that contributions had to increase, or start again, after a period of a

contribution holiday, to avoid or at least reduce their unfunded liabilities.

The 35% rise in employee contributions was attributed primarily to the end of the contribution holiday period, and to a lesser extent a 15% growth in membership in contributory plans.

In some cases, when an employer does not contribute for a period of time, the employees do not contribute. The 15% growth in membership in contributory plans was primarily the result of the conversion of some large public sector pension plans to the trusted model of investment in financial and capital markets.

They were previously funded as government consolidated revenue funds. Employee contributions went into general tax revenues, and benefits were paid out of general tax expenditures. Normally, there is very little growth year-to-year in employee contributions.

Definitions, data sources and methods: survey number 2608.

Clients requiring more current data should refer to the quarterly estimates of trusted pension funds available on CANSIM, tables 280-0002, 280-0003 and 280-0004.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Client Services (1-888-297-7355; 613-951-7355; income@statcan.ca), Income Statistics Division. ■

OTHER RELEASES

Industrial Research and Development

2000 to 2004

According to a new report, Canadian companies intend to increase spending on research and development (R&D) in 2004 but expenditures still remain below peak levels.

Firms indicated they would spend \$12.5 billion on R&D in 2004, an increase of 1.6%. However, following a 10.5% decline in 2002 and a further small decrease in 2003, intended expenditures for 2004 still remain well below the peak of \$13.8 billion reported in 2001.

Communications equipment is still the industry that performs most R&D, despite a steady decline in expenditures since 2001. Spending intentions for 2004 in this industry are down 38% from 2001 levels.

Despite the downturn in industrial R&D spending since 2001, some industries continued to forecast growth, primarily pharmaceuticals and medicine. Intended expenditures for this industry grew 58% from 2000 to 2004, making pharmaceuticals and medicine the second largest industry for R&D expenditures.

Among Canadian firms reporting spending on R&D, only those with 1,000 to 1,999 employees showed

growth each year from 2000 to 2004. Pharmaceutical companies dominate firms of this size, underscoring the impact of this industry's R&D efforts.

In terms of actual R&D expenditures for 2002, all provinces showed a decrease, with one exception. Saskatchewan increased its R&D spending by 14%. Proportionately, Manitoba showed the largest decline. Ontario showed the greatest absolute decrease followed by Quebec.

Definitions, data sources and methods: survey numbers, including related surveys, 4201 and 4202.

The service bulletin *Science Statistics: Industrial Research and Development, 2000 to 2004* (88-001-XIE2004009, \$7/\$64) is now available. See *How to order products*.

For more information, or to enquire about the methods, concepts or data quality of this release, contact Robert Schellings (613-951-6675, robert.schellings@statcan.ca) or Antoine Rose (613-951-9919; antoine.rose@statcan.ca), Science, Innovation and Electronic Information Division.

Expenditures on research and development by province

2001 to 2002

	2001 ^r	2002 ^p
	in millions of dollars	
Newfoundland and Labrador	20	17
Prince Edward Island	5	4
Nova Scotia	79	65
New Brunswick	39	32
Quebec	4,061	3,828
Ontario	7,608	6,528
Manitoba	179	138
Saskatchewan	85	97
Alberta	704	694
British Columbia	1,065	979
Yukon, Northwest Territories and Nunavut	1	0
Total	13,846	12,383

^r Revised.

^p Preliminary.



NEW PRODUCTS

Exports by Commodity, May 2004, Vol. 61, no. 5
Catalogue number **65-004-XMB** (\$40/\$387).

Exports by Commodity, May 2004, Vol. 61, no. 5
Catalogue number **65-004-XPB** (\$84/\$828).

. . . au courant, July 2004
Catalogue number **82-005-XIE**
(free).

Science Statistics: Industrial Research and Development, 2000 to 2004, Vol. 28, no. 9
Catalogue number **88-001-XIE2004009** (\$7/\$64).

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Document 1 - 2004 (F) single 11x16 1/8 1504-0007-0-01



Statistics Canada

Thursday, June 3, 1997
For release at 9:30 a.m.


MAJOR RELEASES

- **Urban transit, 1995** 2
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian took the average of about 10 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses was relatively weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

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Statistics Canada's official release bulletin

Catalogue 11-001-XIE.

Published each working day by the Communications Division, Statistics Canada, 10-H, R.H. Coats Bldg., Tunney's Pasture, Ottawa, Ontario K1A 0T6.

To access *The Daily* on the Internet, visit our site at <http://www.statcan.ca>. To receive *The Daily* each morning by e-mail, send an e-mail message to listproc@statcan.ca. Leave the subject line blank. In the body of the message, type "subscribe daily firstname lastname".

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