

CANADA PENSION PLAN



ANNUAL REPORT

2022
2023



Employment and
Social Development Canada

Emploi et
Développement social Canada

Canada 

Annual report of the Canada Pension Plan for the fiscal year ending March 31, 2023

Note: The following is the annual report of the Canada Pension Plan for the fiscal year ending March 31, 2023. This report is written to reflect the state of affairs as at March 31, 2023. All references to a fiscal year represent the fiscal year ending March 31st of that year.

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Her Excellency
The Governor General of Canada

Excellency:

We have the pleasure of submitting the Annual Report of the Canada Pension Plan for the fiscal year ending March 31, 2023.

Respectfully,



The Honourable François-Philippe Champagne
Minister of Finance and National Revenue



The Honourable Patty Hajdu
Minister of Jobs and Families and
Minister responsible for the Federal Economic
Development Agency for Northern Ontario



CPP ALSO PROVIDES
DISABILITY, DEATH,
SURVIVOR, CHILDREN'S
AND POST-RETIREMENT
BENEFITS.

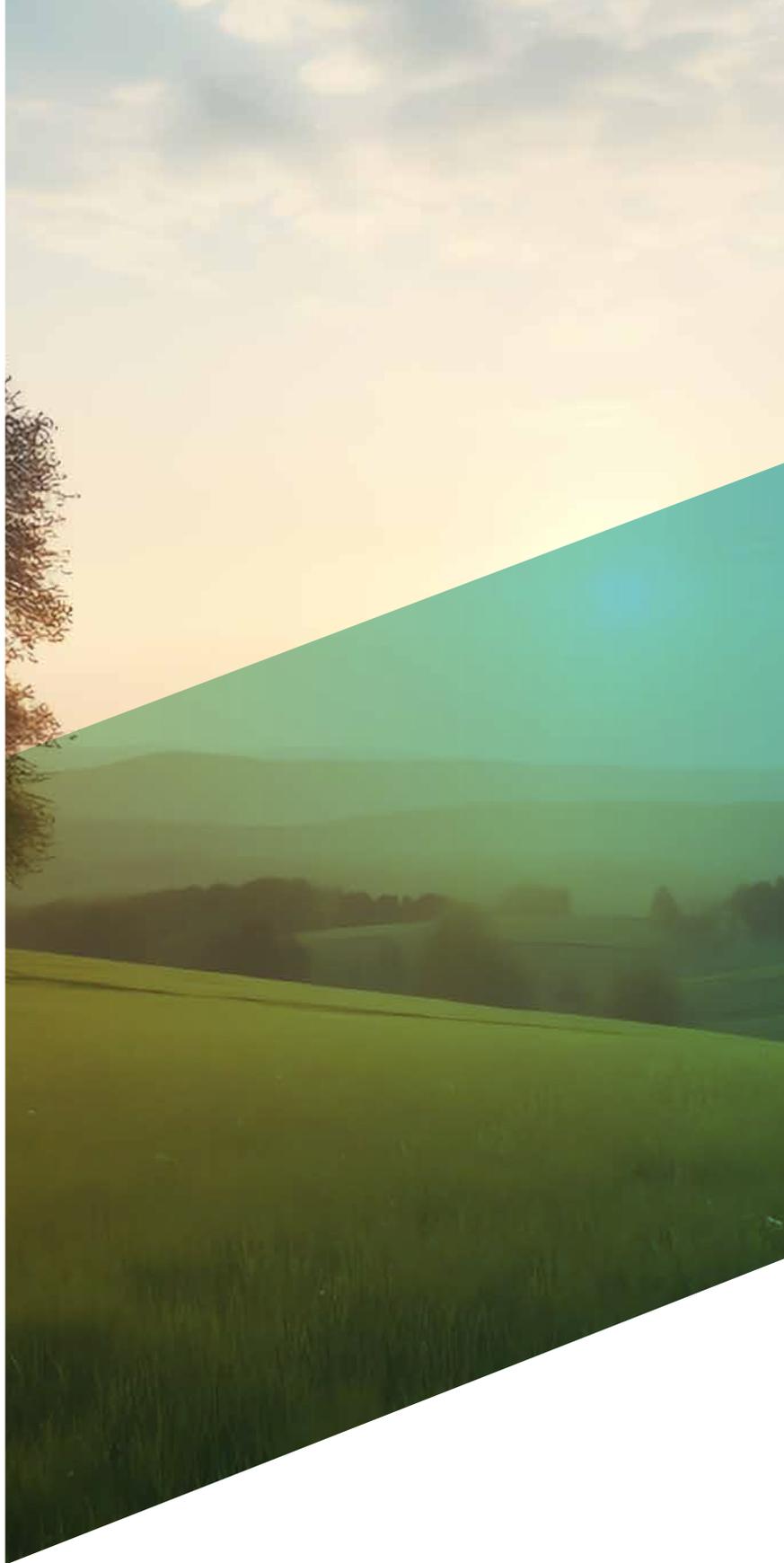


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Fiscal year at a glance

The maximum pensionable earnings of the Canada Pension Plan (CPP) increased from **\$64,900** in 2022 to **\$66,600** in 2023. The contribution rate for the **base CPP** remained unchanged at **9.9%**. The **CPP enhancement** continued its 7-year phase-in, which began on January 1, 2019, with a contribution rate of **2.0%** in 2023, for a combined contribution rate of **11.9%**.

IN THE FISCAL YEAR ENDING MARCH 31, 2023

CPP contributions¹ totalled \$74.8 billion. An average of **6.5 million CPP beneficiaries** per month were paid, representing a total annual benefit value of **\$56.0 billion.**

Those beneficiaries consist of:

- » **5.8 million** CPP retirement pensioners were paid **\$44.4 billion²** and **1.9 million** post-retirement beneficiaries were paid **\$1.2 billion**
- » **1.2 million** surviving spouses or common-law partners and **62,000** children of deceased contributors were paid **\$5.3 billion**
- » **321,000** people with disabilities and **75,000** of their children were paid **\$4.6 billion**, and an additional **\$41 million** was paid in post-retirement disability benefits
- » **178,000** death benefits totalling **\$446 million** were paid to the estates or next-of-kin of contributors

Operating expenses amounted to **\$2.4 billion**, or **4.29%** of the **\$56.0 billion** in benefits.

As at March 31, 2023, total CPP net assets were valued at **\$573.9 billion**, of which **\$570 billion** is managed by the Canada Pension Plan Investment Board (CPPIB), operating as CPP Investments. The remaining **\$3.9 billion** is managed by Employment and Social Development Canada (ESDC), which is responsible for the administration of the CPP program.

Note: Figures above have been rounded. A beneficiary may receive more than one type of benefit.

¹ For more information on contributors, refer to the [CPP Contributor's Report](#).

² This amount is net of overpayments.

Canada Pension Plan in brief

Employees and self-employed people in Canada aged 18 and over contribute either to the CPP or to its sister plan, the Québec Pension Plan (QPP).

While the Government of Canada administers the CPP, it shares responsibility for the Plan with Canada's provincial governments. Québec manages and administers its own comparable plan, the QPP, and participates in decision-making for the CPP. The benefits of individuals who work and contribute to both the CPP and QPP over their careers are based on the sum of the contributions and credits accumulated under each plan³.

As of January 1, 2019, the CPP consists of 2 components:

- » the base (or original) component, which began in 1966
- » the enhanced component, which began in 2019 and serves as a top-up to the base

Note: More details are available in the [CPP enhancement](#) section, which appears later in this report.

Find more information on the [Québec Pension Plan](#).

CONTRIBUTIONS

The CPP is financed through mandatory contributions from employees, employers and self-employed people, and through the revenue earned on CPP investments. Workers start contributing to the Plan at age 18⁴. As shown in [Table 1](#), the first \$3,500 of annual earnings is exempt from contributions. Contributions are then made on earnings between \$3,500 and YMPE, the year's maximum pensionable earnings, which was \$66,600 in 2023.

As of January 1, 2023, employees contribute at a rate of 5.95% (4.95% to the base CPP and 1.0% to the CPP enhancement), and employers match that with equal contributions. Self-employed individuals contribute at the combined rate for employees and employers of 11.9% (9.9% to the base and 2.0% to the enhancement) on net business income, after expenses. This combined contribution rate of 11.9% is not projected to increase further, as the first additional component of the CPP enhancement has been completely phased-in as of 2023.

Individuals with earnings above the YMPE will begin making second additional contributions in 2024. Employees will contribute at a rate of 4.0% on their earnings in this new range, and employers will match that with equal contributions. Self-employed individuals will contribute at the combined rate of 8.0% on net business income, after expenses. This new range of earnings will extend 7% above the YMPE in 2024, and 14% in 2025 and thereafter, when the phase-in of the enhancement is complete.

³ In March 2023, 4.3% of CPP beneficiaries receive a benefit that includes past QPP contributions made at some point in their careers. A similar proportion (approximately 5%) of current CPP contributors have also contributed to the QPP at some point in their careers.

⁴ Workers who were older than age 18 at the inception of the Plan started contributing on January 1, 1966.

It is important to note that these two contribution rates (5.95% and 4.0%) are not added together. Rather, each applies to a specific range of earnings. Individuals who do not have earnings above the YMPE will not make second additional contributions.

In addition to providing retirement pensions, the CPP also provides disability, death, survivor, children's and post-retirement benefits.

Most benefit calculations are based on how much and for how long a contributor has paid into the CPP and at what age they begin to receive their pension. Generally, benefits are not paid automatically—everyone must apply. However, there are 2 exceptions:

- » as of 2020, eligible seniors who have not yet started to collect their CPP retirement pension are proactively enrolled at age 70
- » post-retirement benefits begin automatically the year after a worker made post-retirement contributions

TABLE 1 - CPP CONTRIBUTIONS FOR THE CALENDAR YEAR 2023

CPP contributions	Amount
Year's maximum pensionable earnings	\$66,600.00
Year's basic exemption	\$3,500.00
Year's maximum contributory earnings	\$63,100.00
Year's maximum employee and employer contributions (5.95% each)	\$3,754.45
Year's maximum self-employed person's contribution (11.90%)	\$7,508.90

Beneficiaries and benefits

Given the aging of our population, the number of people receiving CPP benefits has increased steadily over the past decade. Expenditures on benefits have also increased. This reflects both the increase in the number of beneficiaries and the increase in value of the benefits paid to beneficiaries⁵.

FIGURE 1A - NUMBER OF CPP BENEFICIARIES BY FISCAL YEAR (IN MILLIONS)

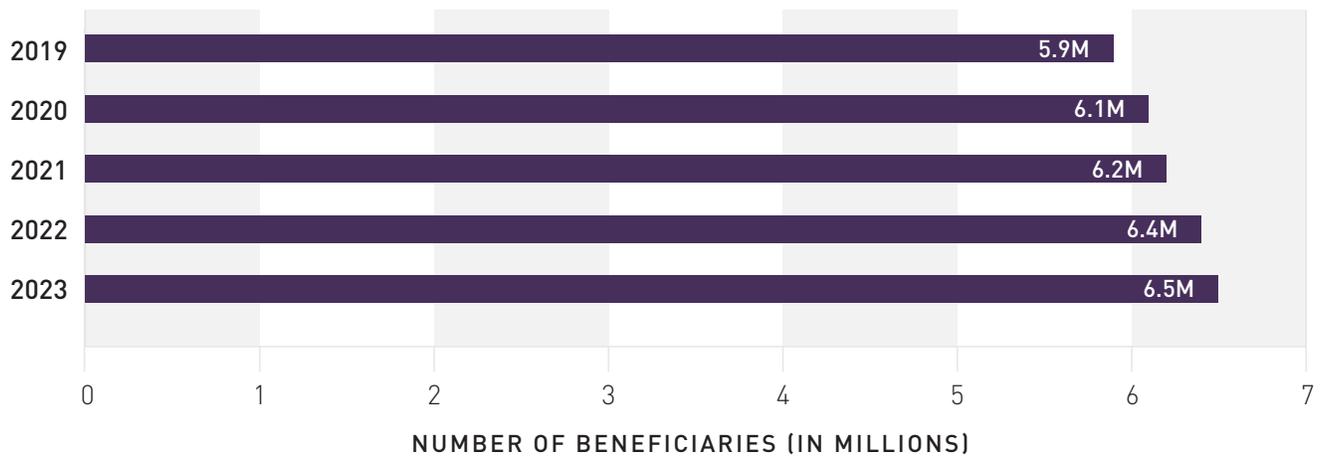
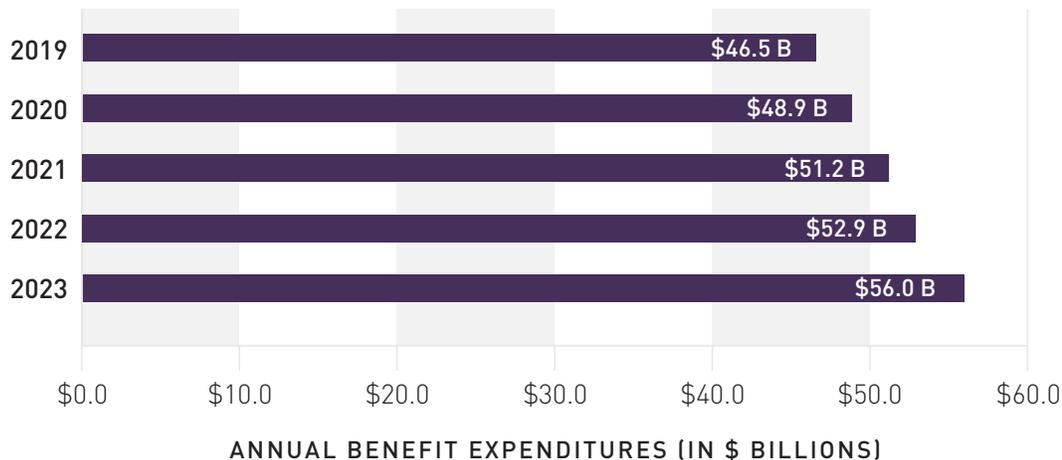
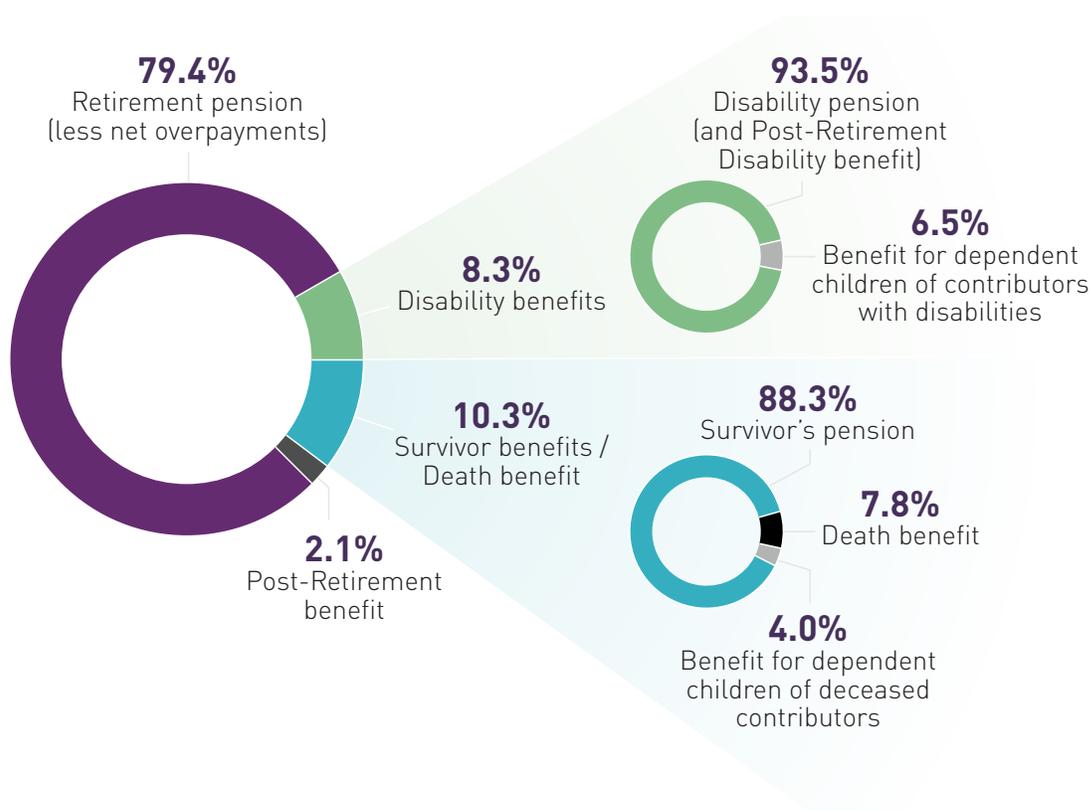


FIGURE 1B - ANNUAL BENEFIT EXPENDITURES BY FISCAL YEAR (IN \$ BILLIONS)



⁵ In this section, the monthly benefit amounts represent the average of the 12 monthly gross average amounts in the fiscal year, as determined from the CPP administrative data. Given that some individuals may have begun to collect or cease collecting their CPP benefits during the fiscal year, the average monthly payment amounts provided may not be equal to the total amount paid divided by the total number of beneficiaries, divided by 12.

FIGURE 2 – PERCENTAGE OF EXPENDITURES BY CPP BENEFIT TYPE FOR THE FISCAL YEAR ENDING MARCH 31, 2023



Source: Final audited [consolidated financial statements](#) of the CPP.

Note: Numbers may not add up to 100% due to rounding.

RETIREMENT BENEFITS

The CPP provides 2 retirement benefits:

- » the CPP retirement pension
- » the post-retirement benefit for individuals who continue to work and contribute while collecting the retirement pension

In the fiscal year ending March 31, 2023, retirement benefits (retirement pensions and post-retirement benefits⁶) represent 81.4% (\$45.6 billion) of the total benefit amount paid out (\$56.0 billion) by the CPP.

⁶ Less all net overpayments.

RETIREMENT PENSIONS

The monthly retirement pension is the CPP's primary benefit. To begin receiving a retirement pension, the applicant must have made at least one valid contribution to the Plan and must have reached the age of 60, which is the earliest age of eligibility (although the standard age of pension take-up is 65 and can even be delayed up to age 70). The amount of the contributors' retirement pensions depends on how much and for how long they have contributed and at what age they begin to receive their pension.

In the fiscal year ending March 31, 2023, the CPP paid a total of \$44.6 billion⁷ in retirement pensions to 5.8 million pensioners. In January 2023, the maximum monthly retirement pension at age 65 was \$1,306.57. The average monthly payment in the fiscal year was \$639.79.

ADJUSTMENTS FOR EARLY AND LATE RECEIPT OF A RETIREMENT PENSION

Canadians are living longer and healthier lives, and the transition from work to retirement is increasingly diverse. The CPP offers flexibility for older workers who are making the transition to retirement.

CPP contributors can choose when to start receiving their retirement pension based on their individual circumstances and needs. Contributors have the flexibility to take their retirement pension earlier or later than the standard age of 65. The pension could be collected as early as age 60 or delayed up to age 70. To ensure fair treatment of contributors and beneficiaries, people who take their retirement pension after age 65 receive a higher amount. Contributors could more than double their monthly retirement pension amount by delaying take-up from age 60 to 70. This adjustment reflects the fact that those who begin to collect their retirement pension later will, on average, contribute to the CPP for longer but receive their benefits for a shorter period of time. Conversely, those who take their retirement pension before age 65 receive a reduced amount, reflecting the fact that they will, on average, contribute to the CPP for shorter but receive their benefits for a longer period of time.

RETIREMENT PENSION TAKEN BEFORE AGE 65

The monthly pension amount for individuals who start receiving their retirement pension before age 65 is permanently reduced by 0.6% per month. This means that a contributor who starts receiving a retirement pension at age 60 receives an annual retirement pension that is 36% less than if it were taken at age 65.

RETIREMENT PENSION TAKEN AFTER AGE 65

The monthly pension amount for individuals who start receiving their retirement pension after age 65 is permanently increased by 0.7% per month that they delay. This means that a contributor who delays receiving a retirement pension until age 70 receives an annual retirement pension that is 42% higher than if it were taken at age 65.

Because there is no additional financial advantage to waiting past age 70, as of 2020, individuals who have not yet applied for their retirement pension are proactively enrolled when they reach that age.

⁷ This net audited amount excludes all overpayments.

TABLE 2 – MAXIMUM MONTHLY RETIREMENT PENSION AMOUNTS TAKEN FROM THE AGES OF 60 AND 70 IN JANUARY 2023

Age	Maximum monthly retirement pension payment	Yearly adjustment
60	\$836.00	-36.0%
61	\$930.00	-28.8%
62	\$1,024.00	-21.6%
63	\$1,118.00	-14.4%
64	\$1,213.00	-7.2%
65	\$1,306.00	0.0%
66	\$1,416.00	+8.4%
67	\$1,526.00	+16.8%
68	\$1,636.00	+25.2%
69	\$1,746.00	+33.6%
70	\$1,855.00	+42.0%

Note: Numbers in Table 2 have been rounded and calculated at the date the beneficiary turns the age referred to in the table (for example, at age 60 and 0 months).

POST-RETIREMENT BENEFITS

The post-retirement benefit allows CPP retirement pension beneficiaries who keep working to increase their retirement income by continuing to contribute to the CPP, even if they are already receiving the maximum CPP retirement pension.

Contributions made while collecting a CPP or QPP retirement pension are treated differently than other contributions. Post-retirement contributions do not affect or change the amount of CPP retirement, disability, or survivor’s pensions, nor do they generate eligibility for a CPP survivor’s pension or CPP disability pension. However, these post-retirement contributions can be used to qualify for the post-retirement disability benefit. Additionally, these contributions are not subject to division in the event of the end of a marriage or common-law relationship (this division is explained in greater detail in the section **Other Features: Credit Splitting**, later in this report).

Each year of post-retirement contributions results in a new post-retirement benefit that is payable the following year. This new post-retirement benefit is added to the individual’s total CPP amount, which includes all previously earned post-retirement benefits. The amount of each post-retirement benefit increases annually with the cost of living and is payable until the death of the contributor. As each post-retirement benefit is based on a single year of contributions, a single individual could receive as many as 11 post-retirement benefits.

In the fiscal year ending March 31, 2023, 1.9 million CPP retirement pensioners received a total of \$1.2 billion in post-retirement benefits. The maximum monthly amount for a single post-retirement benefit at age 65 was \$40.25. The average monthly payment for a single post-retirement benefit in the fiscal year was \$14.74. However, many individuals make post-retirement contributions in multiple years and thus receive multiple post-retirement benefits. As a result, the average total monthly amount reflecting the sum of all their post-retirement benefits received was \$54.70.

DISABILITY BENEFITS

The CPP administers the largest long-term disability insurance plan in Canada. It provides 3 disability benefits:

- » the monthly CPP **disability pension** provided to working-age contributors with sufficient recent contributions who have a severe and prolonged disability
- » the **post-retirement disability benefit** provided to CPP retirement pension recipients under the age of 65 who meet the same disability criteria as the CPP disability pension
- » the **disabled contributor's child's benefit** provides a flat-rate payment to the dependent children of beneficiaries with a disability

In the fiscal year ending March 31, 2023, a total of \$4.6 billion in benefits were paid to 321,000 beneficiaries with a disability and to 75,000 dependent children of beneficiaries with a disability. These benefits represented 8.3% of the total benefits paid out by the CPP in that year.

The disability pension includes a monthly flat-rate amount, which was \$558.74 in 2023. It also includes an earnings-related portion that is equal to 75% of a retirement pension based on the individual's contributions to the Plan before the onset of their disability. In January 2023, the maximum disability pension was \$1,538.67. The average monthly payment in the fiscal year was \$1,013.41.

The post-retirement disability benefit was introduced in 2019 and provides income protection to CPP retirement pension recipients under the age of 65 who are found to have a disability⁸. It recognizes that many individuals make a gradual transition to retirement, such that they plan to continue to work and contribute to the Plan but may later become disabled. Eligible individuals receive the post-retirement disability benefit in addition to their retirement pension. The value of the post-retirement disability benefit amount is equal to the monthly flat-rate component of the disability pension, which was \$558.74 in 2023. A total of \$41 million was paid in post-retirement disability benefits in the fiscal year.

The Disabled Contributor's Child's Benefit is a monthly benefit available to dependent children of individuals receiving the CPP Disability pension. To qualify, the dependent child must be under the age of 18 or between the ages of 18 and 25 and attending an educational institution full time. They must also be the biological child of the contributor, a child who was legally adopted or adopted "in fact" by the contributor before the age of 21, or a child who was legally or "in fact" in the custody and control of the contributor before the age of 21. In 2023, the monthly amount for this benefit was \$281.72.

⁸ Individuals who begin to receive their CPP retirement pension are no longer eligible to receive a CPP disability pension. An exception exists for individuals, whose disability began before the start of the retirement pension, allowing them to cancel their retirement pension in favour of a disability pension.

SURVIVOR BENEFITS

The CPP provides 3 survivor benefits:

- » the monthly survivor's pension provided to a spouse or common-law partner of the deceased contributor regardless of the survivor's age
- » the flat rate children's benefit provided to the dependent children of deceased contributors
- » the one-time, lump-sum death benefit paid to the estate of the deceased contributor

In the fiscal year ending March 31, 2023, a total of \$5.7 billion in survivor benefits were paid. These benefits represented 10.3% of the total benefits paid out by the CPP in that year.

Survivor's pensions are paid to the surviving spouse or common-law partner of a contributor who made sufficient contributions to the Plan. In the fiscal year, 1.2 million survivors received a survivor's pension. The average monthly survivor's pension was \$352.85. The benefit amount varies depending on a number of factors, including the contributions the deceased made to the Plan, the age of the surviving spouse or common-law partner and whether the survivor also receives other CPP benefits.

The maximum survivor's pension for people under age 65 was \$707.95 in January 2023. This included a flat-rate portion of \$217.99 and an earnings-related portion, which is 37.5% of the deceased contributor's retirement pension. The maximum monthly amount at age 65 and over was \$783.94, consisting of 60% of the deceased contributor's retirement pension.

There are special rules used to combine the CPP survivor's pension with either the retirement or the disability pension resulting in a single combined benefit. This benefit, however, cannot exceed the maximum retirement pension or the maximum disability pension. Consequently, it does not necessarily represent the sum of 2 pensions.

The benefit paid to dependent children of deceased contributors is a flat-rate. In 2023, the amount was \$281.72 per month. In the fiscal year, 62,000 children of deceased contributors received this benefit. To be eligible, children must be under 18 years of age or under 25 and in full-time attendance at school or a post-secondary institution.

The CPP death benefit is a lump-sum payment provided to the estate of the contributor. For individuals that died prior to 2019, the death benefit amounted to 6 times the amount of the deceased contributor's monthly retirement pension, up to a maximum of \$2,500. However, for individuals that died on or after January 1, 2019, the value of the death benefit is no longer based on earnings but is a flat-rate of \$2,500. In the fiscal year, the average death benefit payment was \$2,498.46⁹.

⁹ This average amount is less than \$2,500.00 because of benefits paid for deaths that occurred before changes that came into effect on January 1, 2019.

BENEFIT SUMMARY

For up-to-date information on CPP amounts, refer to the [Canada Pension Plans and the Old Age Security Quarterly Reports](#).

TABLE 3 – MONTHLY PAYMENTS BY BENEFIT TYPE

Benefit type	Maximum monthly amount in January 2023	Average monthly amount (for the fiscal year) *
Retirement pension	\$1,306.57**	\$639.79
Post-retirement benefit	\$40.25**	\$14.74
Disability pension	\$1,538.67	\$1,013.41
Benefit for children of disabled contributors	\$281.72	\$268.65
Benefit for children of deceased contributors	\$281.72	\$268.72
Survivor's pension - 65 and over	\$783.94	\$328.59
Survivor's pension - younger than 65	\$707.95	\$468.22
Death benefit (one-time payment)	\$2,500.00	\$2,498.46

* **Note:** The average amounts reported are the averages of the monthly gross average entitlement amount and do not represent the total benefit amounts paid for the fiscal year divided by the number of beneficiaries.

** At age 65.

Benefit protection provisions

The CPP includes provisions that help to compensate for periods when individuals may have relatively low or no earnings.

Under the base CPP, the value of a pension is based on the contributor's average earnings across their lifetime. For this reason, dropping periods of low or no earnings from the calculation will increase the average, and therefore, the amount of the base component of one's CPP benefit.

The calculation of benefits under the enhanced component of the CPP follows a different formula. However, the CPP enhancement provides similar protection by means of "drop-in" provisions that credit individuals with earnings in certain circumstances.

GENERAL DROP-OUT PROVISION

In the base component of the CPP, the general drop-out provision helps to offset periods of low or no earnings due to unemployment, schooling, or other reasons. Up to 17% of a person's contributory period with the lowest earnings, representing a maximum of 8 years, can be excluded from the benefit calculation. This increases the benefit amount for most people.

OVER 65 DROP-OUT PROVISION

In the base component of the CPP, the over 65 drop-out provision allows periods of relatively low earnings before age 65 to be replaced by higher earnings after age 65. It may help to increase the benefit amounts of individuals who continue to work and make CPP contributions after reaching age 65, but do not yet receive the CPP retirement pension.

Unlike the base CPP, which uses the average of an individual's earnings across their entire careers and then applies drop-outs, the value of the enhanced component of CPP benefits is based on an individual's best 40 years of earnings. The enhancement's 40-year calculation largely replicates the effects of the base CPP's general drop-out and over 65 drop-out provisions.

For a contributor who begins their pension at the standard age of 65, the best 40-year calculation will exclude the 7 years with the lowest earnings between the age of 18 and 65 from the calculation of the enhanced component of their pension, similar to the general drop-out in the base CPP.

The best 40-year calculation also allows an individual who continues to work and contribute after age 65 to use those later-life earnings to replace earlier years of lower earnings, similar to the over-65 drop-out in the base CPP.

CHILD-REARING PROVISIONS

In the base component of the CPP, the child-rearing drop-out provision excludes from the calculation of benefits the periods during which contributors took time off work, or reduced their participation in the workforce, to care for children under the age of 7. Every month until the child reaches 7 years of age can be excluded from the benefit calculation for a contributor who is eligible for this provision. In addition to increasing the amount of the benefit, this provision may also assist people applying for survivor or disability benefits in meeting the contributory requirements for eligibility.

In the enhanced component of the CPP, the child-rearing drop-in provision will provide credits to the parents of young children who took time off work or reduced their participation in the labour force to care for children under the age of 7. Specifically, a credit is provided (or dropped in) for every year in which the parent provides care for a child under 7 years of age, if this credit is higher than the parent's actual earnings in that year. The value of the credit is based on the parent's average earnings in the 5 years before the birth or adoption of the child. These dropped in credits will increase the parent's average earnings, which will increase the value of the enhanced component of their CPP benefits.

DISABILITY EXCLUSION AND DISABILITY DROP-IN

In the base component of the CPP, periods during which individuals are disabled in accordance with the CPP legislation are not included in their contributory period. This ensures that individuals who are not able to pursue any substantial gainful work are not penalized.

In the enhanced component of the CPP, individuals who develop a disability in 2019 or later will have a credit "dropped in" for the months that they have a disability in accordance with the CPP legislation. The value of the credit is based on the individual's earnings in the 6 years before they become disabled. These credits will be used to calculate the individual's retirement pension or any subsequent survivor's pension.

Other features

The CPP also includes many progressive features that recognize family and individual circumstances. These features include pension sharing, credit splitting, portability, and indexation.

INDEXATION

CPP payments are indexed to the cost of living. Benefit amounts are adjusted in January of each year to reflect increases in the Consumer Price Index published by Statistics Canada. This means that as CPP beneficiaries age, the purchasing power of their CPP benefits are protected against inflation. In January 2023, benefits were indexed at a rate of 6.5%.

PENSION SHARING

Pension sharing allows spouses or common-law partners who are receiving their CPP retirement pensions to share a portion of each other's pensions. This feature also allows one pension to be shared between them even if only one person has contributed to the Plan. The amount that can be shared depends on the time the couple has lived together while contributing to the CPP. Pension sharing affords a measure of financial protection to the lower-earning spouse or common-law partner. Also, while it does not increase or decrease the overall pension amount paid, it may result in tax savings. Each person is responsible for any income tax that may be payable on the pension amount they receive.

CREDIT SPLITTING

When a marriage or common-law relationship ends, the CPP credits accumulated by the couple during the time they lived together can be divided equally between them, if requested by or on behalf of either spouse or common-law partner. This is called "credit splitting." Credits can be split even if only one partner contributed to the Plan. Credit splitting may increase the value of CPP benefits payable, or even create eligibility for benefits. It may also reduce the benefits of one of the former partners. Credit splitting permanently alters the record of earnings, even after the death of a former spouse or common-law partner.

PORTABILITY

No matter how many times workers change jobs, and no matter in which province they work, CPP and QPP coverage is uninterrupted. Furthermore, CPP and QPP benefits will be paid to you no matter where you reside in the world.

Canada Pension Plan enhancement

The Government of Canada worked with the provinces and territories to strengthen the retirement income system by enhancing the CPP. Following a historic agreement by Canada's ministers of Finance in June 2016, the CPP was enhanced on January 1, 2019.

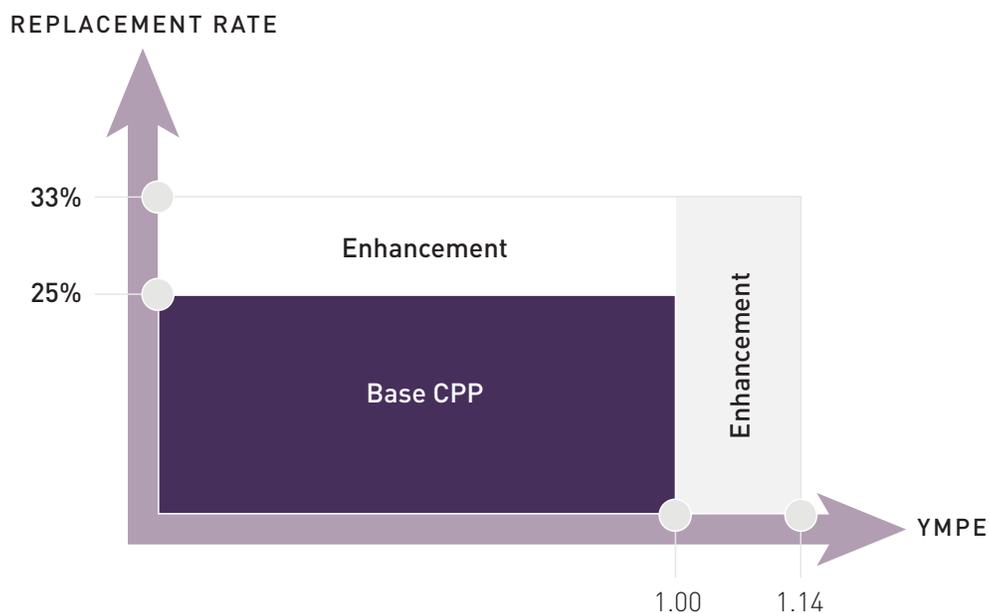
The CPP enhancement was designed to complement the base (or original) CPP. It serves as a top-up to the original part of the Plan, which first began in 1966. The CPP enhancement was designed to be fully funded, which means that benefits under the enhancement will build up gradually over time as individuals work and contribute. Each year of contributions to the enhanced CPP will allow workers to accrue partial additional benefits. Fully enhanced benefits will become available after about 40 years of contributions.

As indicated in **Figure 3**, the fully enhanced CPP retirement pension will replace one-third of a contributor's eligible average earnings, up from the original one-quarter. The upper limit of eligible earnings covered by the CPP will also increase by 14%. Together, these changes will gradually increase the maximum retirement pension by about 50%.

The enhancement will also increase post-retirement benefits and both the disability and survivor's pensions, based on the individual's contributions.

The enhancement does not affect eligibility for CPP benefits or the value of benefits that individuals are already receiving. Individuals who did not work and make contributions to the CPP in 2019 or later are not affected by the enhancement.

FIGURE 3 – ILLUSTRATION OF ENHANCEMENT REPLACEMENT RATE AND YEAR'S MAXIMUM PENSIONABLE EARNINGS (YMPE)

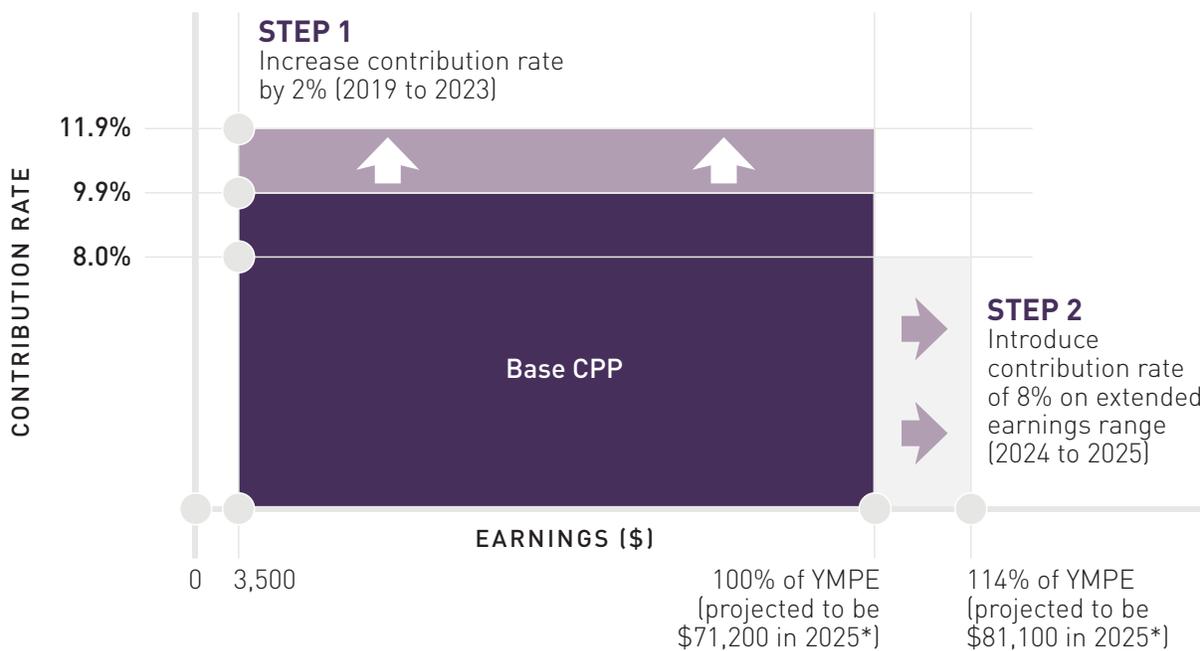


CONTRIBUTIONS UNDER THE CPP ENHANCEMENT

The enhancement's implementation began its 7-year phase-in in 2019. The changes to contributions are indicated in figure 4 and include the following key elements:

- » the CPP contribution rate that is applied to the current eligible earnings range (from \$3,500 to the upper limit, which is set at \$66,600 in 2023) is increasing by 2 percentage points compared to the base CPP. This means the contribution rate has gradually increased from 9.9% to 11.9% by 2023 (shared equally by employers and employees, while self-employed individuals contribute at the full rate)
- » in 2024, workers will begin contributing on an additional range of earnings. This range will start at the current earnings limit, called the YMPE, and will extend to a new limit that is 7% higher by 2024 and then 14% higher in 2025 and thereafter. The contribution rate on earnings in this new range will be 8% (shared equally by employers and employees, with self-employed individuals contributing at the full rate)

FIGURE 4 - ILLUSTRATION OF PHASE-IN OF CONTRIBUTIONS



* Office of the Chief Actuary projection in the [Thirty-First Actuarial Report on the Canada Pension Plan as at 31 December 2021](#).

Find more information on the [CPP enhancement](#).

International social security agreements

Many individuals have lived or worked in Canada and in other countries. Consequently, Canada has entered into social security agreements with other countries to help people in Canada and abroad to qualify for CPP benefits and pensions from partner countries. In March 2023, 14,657 individuals received CPP benefits because of an international social security agreement. Further, social security agreements enable Canadian companies and their employees who are sent to work temporarily outside of Canada to continue to contribute to the CPP and eliminate the need to contribute to the social security program of the other country for the same work.

As of March 31, 2023, Canada has concluded social security agreements with 62 countries, of which 60 are in force (consult [Table 4](#)). Negotiations towards social security agreements are ongoing with many other countries.

Canada has concluded social security agreements with the following countries:

TABLE 4 – SOCIAL SECURITY AGREEMENTS

Country	Date of entry into force of the agreement	Country	Date of entry into force of the agreement
Albania	August 1, 2022	Estonia	November 1, 2006
Antigua and Barbuda	January 1, 1994	Finland	February 1, 1988
Australia	September 1, 1989	France	March 1, 1981
Austria	November 1, 1987	Germany	April 1, 1988
Barbados	January 1, 1986	Greece	May 1, 1983
Belgium	January 1, 1987	Grenada	February 1, 1999
Brazil	August 1, 2014	Hungary	October 1, 2003
Bulgaria	March 1, 2014	Iceland	October 1, 1989
Chile	June 1, 1998	India	August 1, 2015
China*	January 1, 2017	Ireland	January 1, 1992
Croatia	May 1, 1999	Israel*	September 1, 2003
Cyprus	May 1, 1991	Italy	January 1, 1979
Czech Republic	January 1, 2003	Jamaica	January 1, 1984
Denmark	January 1, 1986	Japan	March 1, 2008
Dominica	January 1, 1989	Jersey and Guernsey	January 1, 1994

TABLE 4 - SOCIAL SECURITY AGREEMENTS (CONTINUED)

Country	Date of entry into force of the agreement	Country	Date of entry into force of the agreement
Korea (Republic of)	May 1, 1999	Romania	November 1, 2011
Latvia	November 1, 2006	Saint Lucia	January 1, 1988
Lithuania	November 1, 2006	Saint Vincent and the Grenadines	November 1, 1998
Luxembourg	April 1, 1990	Serbia	December 1, 2014
Macedonia (Republic of North)	November 1, 2011	Slovak Republic	January 1, 2003
Malta	March 1, 1992	Slovenia	January 1, 2001
Mexico	May 1, 1996	Spain	January 1, 1988
Morocco	March 1, 2010	St. Kitts and Nevis	January 1, 1994
Netherlands	October 1, 1990	Sweden	January 1, 1986
New Zealand	May 1, 1997	Switzerland	October 1, 1995
Norway	January 1, 1987	Trinidad and Tobago	July 1, 1999
Peru	March 1, 2017	Türkiye	January 1, 2005
Philippines	March 1, 1997	United Kingdom*	April 1, 1998
Poland	October 1, 2009	United States of America	August 1, 1984
Portugal	May 1, 1981	Uruguay	January 1, 2002

* The social security agreements with China, Israel and the United Kingdom provide an exemption from the obligation to contribute to the social security system of the other country for employers and their employees temporarily posted abroad. These agreements do not contain provisions concerning eligibility for pension benefits.

In addition, social security agreements have been signed with Argentina and Tunisia. They will enter into force once legal procedures have been completed in both countries.

Collecting and recording contributions

All CPP contributions are remitted to the Canada Revenue Agency (CRA). The CRA 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 contributory requirements are met, the CRA applies a compliance and enforcement process that can vary from a computerized data match to an on-site audit.

As of March 31, 2023, the CRA reported that there are 2,212,707 employer accounts. In the fiscal year ending March 31, 2023, the CRA conducted 11,371 examinations to promote compliance with the requirements to withhold, report and remit employer source deductions. In the fiscal year, employers and employees accounted for approximately 95% of contributions, and the remaining 5% came from the self-employed. In the fiscal year, contributions amounted to \$74.8 billion.

Services to contributors and beneficiaries

Within ESDC, Service Canada provides Canadians with easy single point access to a wide range of government services and benefits.

In the fiscal year ending March 31, 2023, Service Canada continued its efforts to ensure that eligible Canadians are receiving public pension benefits to which they are entitled, and to encourage them to actively plan and prepare for their retirement. Information on the CPP is available on the internet, by phone, in person at Service Canada Centres and through scheduled and community outreach. In 2023, a special **Retirement Hub portal** was launched to help clients understand the benefits of CPP retirement pension deferral and help them make informed decisions about the right time to take their public retirement pensions, given their personal circumstances. Clients now have access to a personalized retirement checklist, updated retirement calculators and educational pages with life examples discussed in simple terms.

Service Canada promotes the use of online services through various means:

- » targeted mailing of inserts, including seasonal mailing such as at tax-filing period
- » messaging added to correspondence to Canadians
- » messaging promoted through the Government of Canada website
- » messaging provided by telephone through its pensions call centre network
- » information provided in person by employees at Service Canada Centres

Service Canada continues to advance its e-service agenda through enhancements to the online My Service Canada Account (MSCA). CPP clients can securely access their personal information online. MSCA provides a single point of access for people to apply for a CPP retirement pension. In the fiscal year, approximately 176,000 people, representing 53.1% of all applications, applied for their CPP retirement pension online.

Using MSCA, CPP clients can:

- » update their home address, telephone numbers and direct deposit information, if they live in Canada
- » view and print official copies of their tax slips for the current year and the previous 6 years
- » view and print an official copy of their statement of contributions
- » view the current and last 2 years of their payments
- » print a benefit attestation letter
- » start, change or stop a voluntary federal income tax deduction
- » add, modify or delete their consent to communicate information to an authorized person acting on their behalf
- » apply for the CPP retirement pension
- » apply for the CPP regular, grave or terminal disability benefit

- » upload documentation to support their CPP disability paper or online application
- » submit their request for reconsideration of an initial decision made on their application
- » apply for the child's benefit (benefit for children aged 18 to 25 and in attendance in full-time school or university)
- » submit their Declaration of Attendance at School or University online and upload proof of enrolment to renew or re-establish their children's benefit
- » apply for the death benefit
- » apply for the survivor pension and surviving child's benefit
- » apply for pension sharing of retirement pension(s)
- » apply for a credit split provision (upon separation or divorce)
- » view the status of their applications

More information is available on the [Service Canada](#) page.

For Service Canada, the successful launch of these initiatives supports improved service delivery to Canadians, including to some of Canada's most vulnerable citizens.

PROCESSING BENEFITS

Service Canada continues to deliver the CPP through a network of 10 processing centres located across the country. In the fiscal year ending March 31, 2023, Service Canada:

- » processed approximately 7.4 million transactions, including 1.7 million transactions to put clients into pay for the first time and to renew benefits, and another 5.7 million benefit adjustments or account revisions

- » made over 72.3 million payments valued at \$56.0 billion to approximately 6.5 million beneficiaries, including \$4.6 billion to 397,000 CPP disability beneficiaries
- » supported 176,000 Canadians to apply for CPP retirement benefits online and fully automated the adjudication of 920,000 new post-retirement benefits
- » answered 2.1 million CPP and Old Age Security enquiries through its specialized call centre agents and resolved 3.1 million calls through its interactive voice response system

The timely payment of CPP benefits remains a priority. Overall, Service Canada aims to pay eligible clients their CPP retirement pension within their first month of entitlement with an objective of achieving this 90% of the time. In the fiscal year, Service Canada exceeded this objective and put 94% of clients in pay for their first month of entitlement (consult [Table 5](#)).

Service Canada continues to be committed to enhancing the delivery of the CPP disability benefits to make it easier for Canadians to access the benefits that they are entitled to. Service Canada has updated the CPP Disability Toolkit to help individuals, people supporting them in the application process, health care professionals, and non-government organizations access all required program information through a single document. Service Canada is actively modernizing pensions' correspondence to improve communication to pension beneficiaries through existing pension programs correspondence, including CPP disability. This includes simplifying, enhancing, and ensuring plain language in correspondence to clients.

TABLE 5 – CANADA PENSION PLAN SERVICE STANDARDS

Service standard	National objective	National result	Average processing time
CPP retirement benefit application Benefits are paid within the first month of entitlement	90%	94%	15 calendar days
CPP disability benefit application Decision is made within 120 calendar days of receiving a complete application	80%	79%	76 calendar days
CPP disability benefit for applicants with a terminal illness Decision is made within 5 business days of receiving a complete application	95%	91%	3 business days
CPP disability benefit for applicants with a grave medical condition Decision is made within 30 calendar days of receiving a complete application	80%	85%	20 calendar days
CPP disability benefit reconsiderations Decision is made within 120 calendar days of receiving the reconsideration request	80%	75%	94 calendar days

Appeals process

Individuals who are not satisfied with a decision concerning CPP benefits may ask the Minister of Employment and Social Development Canada to reconsider or administratively review, that decision. Individuals may ask for reconsideration of their eligibility for a CPP benefit or the amount of the benefit.

Claimants who are not satisfied with the Minister's reconsideration decision may appeal to the Social Security Tribunal of Canada (SST).

The SST is an independent administrative tribunal that makes decisions on appeals related to the *Canada Pension Plan*, *Old Age Security Act*, and *Employment Insurance Act*.

The SST consists of 2 separate divisions:

- » The **General Division (GD)** and the **Appeal Division (AD)**. The General Division is composed of 2 sections: Income Security and Employment Insurance.
- » The **General Division Income Security** section hears both CPP appeals and Old Age Security (OAS) appeals. The **Appeal Division** hears appeals from the General Division.

On December 5, 2022, legislated changes intended to reduce barriers to claimants came into effect. Among other changes, at the General Division summary dismissal powers were repealed, and claimants now have more time to prepare their appeal. At the Appeal Division, the test for obtaining leave is broader, appeals are heard as a new proceeding, and cases can no longer be referred back to the General Division. Across the Tribunal, claimants choose their form of hearing: in person, videoconference, teleconference or in writing. Guiding these and other processes are new **Rules of Procedure** written in plain language and designed people-first.

The SST has **service standards** for how many days it should take to complete appeals under normal circumstances (consult **Table 6**).

TABLE 6 – APPEAL SERVICE STANDARDS

Service standard	Objective	Result	Average Processing Time (calendar days)
General Division – CPP appeals* Complete decisions within 70 days of the parties being ready for a hearing	80%	18%	127
General Division – CPP appeals* Complete decisions within 30 days of the date the hearing is held	80%	72%	28
Appeal Division – CPP appeals** Make a decision on permission to appeal within 45 days of an appeal being filed	80%	82%	30
Appeal Division – CPP appeals** Make a final decision within 150 days of leave to appeal being granted	80%	81%	103

* General Division results are from April 1, 2022 to March 31, 2023

** Appeal Division results are from April 1, 2022 to December 4, 2022

Find more information on the [Social Security Tribunal appeal service standards](#).

GENERAL DIVISION INCOME SECURITY

In the fiscal year ending March 31, 2023, the General Division Income Security section received 2,004 new appeals, 17.1% (413) fewer appeals than in the fiscal year ending March 31, 2022 (2,417). Of those appeals, 89.2% (1,788) were related to CPP benefits, down from 90.6% (2,189) in the fiscal year ending March 31, 2022. This represented a decrease in CPP appeal volume by 18.3% (401) between fiscal years.

As of March 31, 2023, the General Division Income Security section concluded 2,271 appeals, 8.4% (176) more appeals than in the previous fiscal year (2,095). Of those concluded appeals, 88.9% (2,019) were related to CPP benefits, compared to 89.1% (1,866) appeals concluded in the fiscal year ending March 31, 2022. This represented an increase in CPP appeals concluded by 8.2% (153) between fiscal years.

As of March 31, 2023, the General Division Income Security section had 2,051 active appeals, a reduction in inventory of 11.5% (176), from 2,318 appeals in the fiscal year ending March 31, 2022. Of the active appeals, 88.2% (1,810) were related to a CPP benefit, virtually unchanged from 88.1% (2,043) in the fiscal year ending March 31, 2022. This represented a decrease in inventory of 11.4% (233) of CPP appeals between fiscal years.

APPEAL DIVISION

In the fiscal year ending March 31, 2023, the Appeal Division received 187 appeals of decisions from the General Division Income Security section, 8.7% (15) more than in the fiscal year ending March 31, 2022 (172). Of these appeals, 84.5% (158) were related to CPP benefits, compared to 77.3% (133) in the fiscal year ending March 31, 2022. This represented an increase of 18.8% (25) between fiscal years.

As of March 31, 2023, the Appeal Division concluded 178 appeals, 7.9% (13) more appeals than in the fiscal year ending March 31, 2022 (165). Of the concluded appeals, 83.7% (149) were related to CPP benefits, compared to 78.8% (130 appeals) in the fiscal year ending March 31, 2022. This represented an increase of 14.6% (19).

As of March 31, 2023, the Appeal Division had 57 active appeals, 21.3% (10) more than in the fiscal year ending March 31, 2022 (47). Of these active appeals, 71.9% (41) were related to CPP benefits, compared to 74.5% (35) in the fiscal year ending March 31, 2022. This represented an increase in CPP inventory at the Appeal Division of 17.1% (6) between fiscal years.

Ensuring program integrity

To ensure the accuracy of benefit payments, the security and privacy of personal information and the overall quality of service, ESDC continues to enhance the efficiency, accuracy, and integrity of its operations through various business improvement measures and through its regular integrity-based activities.

Meeting the expectations of Canadians, that government services and benefits are delivered to the right person, for the right amount, for the intended purpose and at the right time while ensuring responsible stewardship of program funds and protecting personal information, is a cornerstone of ESDC's service commitment. Enhanced and modernized integrity-related activities within the CPP are essential to meeting these expectations and ensuring the public's trust and confidence in the effective management of this program. As such, ESDC remains committed in its ongoing work to analyse and implement solutions, changes and improvements that enable this.

Integrity-based activities detect anomalies and potential issues with existing benefits and investigate them to bring resolution. This reduces program costs by preventing incorrect payments and identifying systemic impediments to clients receiving their correct and full benefit entitlement. This is achieved with risk-based analysis measures, ensuring that appropriate and effective controls are in place, and that causes of incorrect payments are identified and mitigated. Integrity-based activities also make use of modern analytical techniques to improve business intelligence and ensure that errors and fraud are managed throughout the program's life cycle.

As part of its effort to address overpayment situations, ESDC conducts reviews of benefit entitlements and investigations to address situations in which clients are suspected of receiving benefits to which they are not entitled. These activities resulted in \$21.3 million in accounts receivable as overpayments in the fiscal year ending March 31, 2023. In addition, integrity-based activities prevented an estimated \$32.7 million from being incorrectly paid in the fiscal year and a further estimated \$96.8 million from being incorrectly paid in future years. The recovered overpayments are credited to the CPP, thereby helping to maintain the long-term sustainability of the Plan. In addition to overpayments, integrity activities sometimes identify underpayments, which is to say, clients who are eligible for more CPP benefits than they are currently receiving. In the fiscal year, ESDC identified \$6.9 million in underpayments of CPP benefits.

The mitigation of risks associated with false or inaccurate claims regarding the identity of an individual or an organization is fundamental to the integrity of the CPP program. This is why the Department has a sound identity management program which starts with the Social Insurance Number Program and extends to a policy for the registration, authentication, and validation of identity across service delivery channels (in person, phone, mail and online).

This means clients know what is expected from them when asked to confirm their identity. The CPP program validates client's information against the Social Insurance Register, which contains verified identity information that was validated against provincial source documents through the Vital Event Linkages initiative.

The Department also provides guidance and tools to staff responsible for identity management practices and monitors outcomes for the ongoing refinement of identity management policy instruments. This approach enhances data integrity and quality, improves security and the protection of personal information, and enhances the service experience for clients by reducing errors and eliminating inefficiencies, which could affect wait times for benefits.

Ensuring financial sustainability

As joint stewards of the CPP, Canada's federal and provincial finance ministers review the CPP's financial state every 3 years and make recommendations as to whether benefits and/or contribution rates should be changed. This process is referred to as the CPP triennial review. As of January 1, 2019, both components of the CPP – the base and the enhancement – are part of the review.

The ministers of Finance make their recommendations based on several factors, including the results of an examination of the CPP by the Chief Actuary of the Government of Canada. The Chief Actuary is required under the legislation to produce an actuarial report on the CPP every 3 years (in the first year of the legislated ministerial triennial review of the Plan). The CPP legislation also provides that the Chief Actuary prepare an actuarial report any time a bill is introduced in the House of Commons that has, in the view of the Chief Actuary, a material impact on the estimates in the most recent triennial actuarial report. This reporting ensures that the long-term financial implications of proposed changes to the Plan are given timely consideration by the ministers of Finance.

Changes to the CPP legislation governing the level of benefits or the rate of contributions and changes to the *Canada Pension Plan Investment Board Act* can be made only through an act of Parliament. Any such changes also require the agreement of at least two thirds of the provinces, representing at least two thirds of the population of the provinces¹⁰. The changes come into force only after a notice period,

unless all the provinces waive this requirement, and only after provinces have provided formal consent to the changes by way of orders-in-council. Québec participates in decision-making regarding changes to the CPP legislation to ensure a high degree of portability of QPP and CPP benefits across Canada; however, Québec does not have a role in governance of the CPPIB.

FUNDING APPROACH

When it was introduced in 1966, 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 demographic and economic circumstances of the time, due to the rapid growth in wages and labour force participation as well as the low rates of return on investments. However, demographic, and economic developments, as well as changes to benefits and an increase in disability claims in the following 3 decades, resulted in significantly higher costs. Starting in the mid-1980s, the finances of the CPP came under increasing pressure as assets declined and increases in contribution rates became necessary. In 1993, it was projected that the pay-as-you-go rate would be 14.2% by 2030 and that the reserve fund would be depleted by 2015. Continuing to finance the CPP on a pay-as-you-go basis would have meant imposing a heavy financial burden on the future Canadian workforce. This was deemed unacceptable by the federal and provincial governments.

¹⁰ While territorial governments participate in the CPP Triennial Review process and are part of the discussion surrounding potential changes, their formal approval is not required to make major changes to the Plan, per the division of powers under the Constitution. All workers in Canada outside the province of Québec, including those in the territories, participate in the CPP.

Amendments were therefore made in 1997 to gradually raise the level of CPP funding. Changes were implemented to increase the contribution rates over the short term, reduce the growth of benefits over the long term, and invest cash flows not needed to pay benefits in the financial markets through the CPPIB to achieve higher rates of return. A further amendment was included to ensure that any increase in benefits or new benefits provided under the CPP would be fully funded.

The reform package agreed to by the federal and provincial governments in 1997 included the introduction of dual funding objectives for the Plan at the time (for the base CPP):

- » **the introduction of steady-state funding:** this replaced pay-as-you-go financing to build a reserve of assets and stabilize the ratio of assets to expenditures over time. Steady-state funding is based on a lowest constant contribution rate that stabilizes the assets-to-expenditures ratio and finances the base CPP without the full-funding requirement for increased or new benefits
- » **the introduction of full funding for new or increased benefits:** this means that changes to the base CPP that increase or add new benefits are fully funded. In other words, benefit costs are paid as benefits are earned, and any costs associated with benefits that are already earned but not paid for are amortized and paid for over a defined period of time, consistent with common actuarial practices

The sum of the steady-state and full-funding rates is the minimum contribution rate required to fund the base CPP. So long as the base CPP's minimum contribution rate remains below the legislated contribution rate of 9.9%, the base CPP is considered to be sustainable over the long term.

If the Chief Actuary determines that the base CPP is not sustainable – that is to say, that the minimum contribution rate is higher than the legislated contribution rate, then the ministers of Finance have a limited window in which to make changes to the Plan that restore its sustainability. Should the ministers of Finance not agree on a course of action, then automatic provisions in the CPP legislation would be triggered to sustain the base CPP. Specifically, an increase in the legislated rate would be phased in over 3 years, and indexation of benefits in pay would be suspended until the following triennial review.

The dual funding objectives for the base CPP of steady-state and full funding were introduced to improve fairness across generations. The move to steady-state funding eases some of the contribution burden on future generations. Under full funding, each generation that receives benefit enrichments is more likely to pay for them in full and not pass on the cost to future generations.

In keeping with the dual funding nature of the Plan, the CPP enhancement is fully funded to ensure fairness across generations. The CPP enhancement is designed so that the additional contributions along with projected investment income will be sufficient to fully pay the projected benefits at the legislated first and second additional contribution rates.

The *Additional Canada Pension Plan Sustainability Regulations*, which came into force on February 1, 2021, set forth what happens if the CPP enhancement is not sustainable under the legislated additional contribution rates.

These new regulations will apply only if the additional minimum contribution rates deviate to a certain extent and for a certain amount of time from their respective legislated rates and no action is taken by the ministers of Finance to address the deviation. In such case, adjustments would be made to current and future benefits and possibly to the additional contribution rates.

ACTUARIAL REPORTING ON THE FINANCIAL STATE OF THE CPP

The *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021*, prepared by the Office of the Chief Actuary, was tabled by the federal Minister of Finance in Parliament on December 14, 2022. This Report was the second triennial CPP actuarial report to be in respect of both the base and enhanced components of the Plan.

The *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021* took into account the continuing and evolving impacts of the COVID-19 pandemic as well as the impacts of the escalation of the conflict in Ukraine. The latter was considered to be a subsequent event (occurring after the valuation date but before the report date) which was deemed by the Chief Actuary to have material effects on the financial state of the CPP as projected under the Report.

For both the base and enhanced CPP, the Chief Actuary determines the minimum contribution rates required in accordance with regulations and states these rates in the actuarial report. The minimum contribution rates in the *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021* were determined in accordance with the most recent regulations – the *Calculation of Contribution Rates Regulations, 2021*, which came into force on February 1, 2021.

For the base CPP, the minimum contribution rate is 9.56% for years 2025 to 2033 and 9.54% for 2034 and thereafter. This rate is the sum of the base CPP steady-state and full-funding contribution rates. The steady-state contribution rate is determined to be 9.53% for 2025 and thereafter. The full-funding rate in respect of base CPP amendments is determined to be 0.03% for years 2025 to 2033 and 0.01% for 2034 and thereafter.

For the enhanced component of the CPP, the first and second additional minimum contribution rates are determined to be 1.97% for the year 2025 and thereafter, and 7.88% for 2025 and thereafter, respectively.

According to the financial projections of the *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021*, the annual amount of contributions paid by Canadians into the base CPP is expected to exceed the annual amount of expenditures (benefits paid out and operating expenditures) until 2025 inclusive, and to be less than the amount of expenditures thereafter. For the enhanced CPP, contributions paid are projected to exceed expenditures until the year 2057 inclusive, and to be less than the amount of expenditures thereafter. Funds not immediately required to pay expenditures are transferred to the CPPIB according to different investment portfolios for the base and enhanced CPP.

The assets of the base CPP are projected under the actuarial report to first decrease in 2022, as a result of financial markets and then increase thereafter, with more significant growth in the first few years. Under the legislated contribution rate of 9.9%, total assets are expected to increase to \$791 billion by the end of 2030 and then reach \$2.2 trillion by 2050 and \$17 trillion by 2100. The ratio of assets to the following year's expenditures is projected to slowly grow from a level of 8.1 to 13.2 over the long term. The accumulation of base CPP assets will help pay for benefits as the population continues aging and more and more baby boomers begin to collect their retirement pensions.

After 2025, because of the aging population, the amount of base CPP expenditures is projected to exceed contributions. When this occurs, investment income from the base CPP's accumulated assets will provide the funds necessary to make up the difference. However, contributions will remain the main source of funding for benefits for the base Plan. In 2030, about 9% of investment income will be required to pay for expenditures. This is expected to gradually increase to about 16% by 2050 and about 34% by 2070, after which it is expected to remain fairly stable. Investment income, which is expected to represent 32% of revenues in 2023 is further projected to represent 42% of revenues in 2050. This clearly illustrates the importance of investment income as a source of revenues for the base CPP. The Report confirms that, despite the projected substantial increase in benefits paid as a result of an aging population, the base CPP legislated contribution rate of 9.9% exceeds the minimum contribution rate and is thus sufficient to finance the base CPP over the long term.

Assets under the enhanced CPP are expected to increase rapidly over the next several decades as contributions are projected to exceed expenditures. The enhanced CPP assets are projected to increase to \$200 billion by 2030, \$1.4 trillion by 2050, and \$12 trillion by 2100. The ratio of assets to the following year's expenditures is projected to increase rapidly until 2026 and then decrease after that, reaching a level of about 26 by 2080 and remaining close to that level up to 2100. Due to the financing approach of the enhanced Plan, investment income will become a major source of revenues for it. Demographic changes affecting the base CPP, particularly the aging of the population and retirement of the baby boomers, will also affect the enhanced CPP, but to a lesser extent than the base CPP due to the different financing approaches of the 2 plans.

The Thirty-first CPP Actuarial Report includes a new section that focuses on understanding and assessing downside risks due to 3 potential scenarios or emerging trends:

- » different distributions workers' earnings
- » elevated inflation over a long period of time leading to stagflation, a phenomenon characterized by a simultaneous economic stagnation and increase in inflation
- » and climate change that can affect the CPP through demographic, economic and investment environments

Given a higher reliance of both the base and enhanced CPP on investment returns, an analysis indicates there is a 16% probability that the minimum contribution rate (MCR) will exceed the legislated rate of 9.9% at the next valuation (as at 31 December 2024), due to investment experience alone.

The Report confirms that the legislated first additional contribution rate of 2.0% for the year 2023 and thereafter and second additional contribution rate of 8.0% for 2024 and thereafter are sufficient, along with projected investment income, to fully pay the projected expenditures of the enhanced CPP over the long term. Further, the legislated additional rates are sufficiently close to the minimum rates such that no action is needed to address the differences.

The previous triennial report was the *Thirtieth Actuarial Report on the Canada Pension Plan as at 31 December 2018*, which was tabled in Parliament on December 10, 2019. The CPP statute was subject to amendments since that report.

The *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021* takes into account all the amendments. It also considers the *Calculation of Contribution Rates Regulations, 2021* and the *Additional Canada Pension Plan Sustainability Regulations*, mentioned above.

A panel of 3 independent actuaries, which was selected based on recommendations of the United Kingdom Government Actuary's Department, reviewed the *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021*. The external panel's findings confirmed that the work performed by the Office of the Chief Actuary on the Report complied with all professional standards of practice and statutory requirements. The panel also concluded that the methods and assumptions used for the Report were reasonable, confirming that the legislated contribution rates are sufficient to finance the CPP over the long term.

In addition to these main conclusions, the panel made several recommendations regarding the various aspects of the actuarial report. The panel highlighted the context of heightened risk and uncertainty, and as such their recommendations place emphasis on the need for continued in-depth analysis and forward-looking approaches when developing assumptions, sensitivity measures, and alternative scenarios. The United Kingdom Government Actuary's Department affirmed that the reviewers carried out a sufficiently thorough review and that the work performed was appropriate and reasonable. As a result, Canadians can have confidence in the results of the *Thirty-first Actuarial Report on the Canada Pension Plan as at 31 December 2021* and the conclusions reached by the Chief Actuary about the long-term financial sustainability of the CPP.

The next triennial actuarial report on the CPP, which will report on the financial state of the base and enhanced components of the Plan as of December 31, 2024, is due by December 2025.

To view CPP actuarial reports, studies, and reviews, consult the [**Office of the Chief Actuary's website**](#).

Financial accountability

The CPP uses the accrual basis of accounting for revenues and expenditures. This method gives administrators a detailed financial picture and allows accurate matching of revenue and expenditures in the year in which they occur.

CPP ACCOUNTS

Two separate accounts, the CPP Account and the Additional CPP Account, have been established in the accounts of the Government of Canada to record the financial elements of the base CPP and the enhanced CPP respectively (such as contributions, interest, earned pensions and other benefits paid, as well as administrative expenditures). The CPP accounts also record the amounts transferred to, or received from, the CPP Investment Board. Spending authority, as per sections 108(4) and 108.2(4) of the CPP Legislation, is limited to the CPP net assets, which includes both accounts. It is important to note, however, that funds cannot be transferred between accounts such that the base CPP will be wholly funded from the CPP Account, while the enhancement will be funded from the Additional CPP Account. The CPP assets are not part of the federal government's revenues and expenditures.

In keeping with *An Act to amend the Canada Pension Plan* and the *Canada Pension Plan Investment Board Act*, which came into force on April 1, 2004, CPPIB is responsible for investing the remaining funds after the CPP operational needs have been met. The CPP Accounts' operating balances are managed by the Government of Canada.

CPP INVESTMENT BOARD

Created by an act of Parliament in 1997, the CPPIB is a professional investment management organization with a critical purpose: to help provide a foundation on which Canadians build financial security in retirement. The assets of the CPP not currently needed to pay pension, disability and survivor benefits are managed by CPPIB.

The organization is accountable to Parliament and to Canada's ministers of Finance, however it is governed independently from the CPP and operates at arm's length from governments. CPPIB's legislated mandate is to maximize investment returns without undue risk of loss. In doing so, it is required to act in the best interest of contributors and beneficiaries, and to consider factors that may affect the funding of the CPP and its ability to meet its financial obligations.

CPPIB is headquartered in Toronto with offices around the world.

Find more information on [CPPIB's mandate, governance structure and investment policy](#).

CPP ASSETS AND CASH MANAGEMENT

Pursuant to section 108.1 of the *Canada Pension Plan* and an administrative agreement between the CPP and CPPIB, amounts not required to meet specified obligations of the CPP are transferred weekly to CPPIB to gain a better return. The cash flow forecasts of the CPP determine the amount to be transferred to or from CPPIB.

ESDC continues to work closely with CPPIB, various government departments and banks to coordinate these transfers and manage a tightly controlled process. A control framework is in place to ensure that the transfer process is followed correctly and that all controls are effective. For instance, ESDC obtains confirmation at all critical transfer points and can therefore monitor the cash flow from one point to the next.

CPP NET ASSETS

In the fiscal year ending March 31, 2023, the CPP Fund grew to \$573.9 billion. The Government of Canada held an amount of \$3.9 billion to meet CPP pensions, benefits and operating expenses obligations. The remaining \$570 billion is managed by CPPIB. In terms of net assets, the CPP Fund ranks as one of the world's largest retirement funds.

For the 10-year period ending March 31, 2023, the Fund held by CPPIB had an annualized net nominal rate of return of 10%. Over that 10-year period, the organization has contributed \$320 billion in cumulative net income to the Fund, after all costs.

INVESTING FOR OUR FUTURE

CPPIB made the strategic decision in 2006 to move away from largely index-based investments towards the more active selection of investments to capitalize on its comparative advantages. CPPIB benefits from the CPP Fund's exceptionally long investment horizon, certainty of assets and scale. It has also developed a world-class investment team, which is complemented with top-tier external partners that support its internal capabilities. CPPIB takes a disciplined, prudent, long-term approach to managing the portfolio.

In managing the Fund, CPPIB pursues a diverse set of investment programs that stabilize performance and contribute to the long-term sustainability of the CPP. CPPIB ensures that the Fund has both asset and geographic diversification to make the Fund more resilient to single-market volatility. In order to build a diversified portfolio of CPP assets, investments are made in public equities, private equities, real estate, credit, infrastructure and fixed income instruments. The investments have become increasingly international, benefitting from positive global growth in the world's largest investment markets, and fostering greater resiliency during periods of slow growth within specific regions.

CPPIB REPORTING

CPPIB reports its financial performance on a quarterly and annual basis. Legislation requires the organization to hold public meetings every 2 years in each province, excluding Québec, which operates the separate QPP.

The purpose of these meetings is for CPPIB to present its most recent annual report and to provide the public with the opportunity to ask questions about its policies, operations, and future plans.

Other expenses

CPP expenses consist of pensions and benefits paid, operating expenses and benefit overpayments as detailed in the CPP consolidated statement of operations for the year ended March 31, 2023.

OPERATING EXPENSES

CPP operating expenses of \$2.4 billion for the fiscal year represents 4.29% of the \$56.0 billion in benefits paid.

TABLE 7 – PRESENTS THE CPP'S OPERATING EXPENSES

Department, Agency, Crown Corporation	Fiscal Year Ending March 31, 2023 (in millions of dollars)	Fiscal Year Ending March 31, 2022 (in millions of dollars)
CPPIB*	1,540	1,428
Employment and Social Development Canada	539	546
Canada Revenue Agency	257	273
Treasury Board Secretariat	45	32
Administrative Tribunals Support Service of Canada	19	18
Public Services and Procurement Canada	4	6
Office of the Superintendent of Financial Institutions (where the Office of the Chief Actuary is housed)/ Finance Canada	4	3
Total	2,408	2,306

* The operating expenses do not include the transaction costs and investment management fees since these are presented as part of net investment income (loss). For more details, refer to the "Canada Pension Plan consolidated statement of operations" and the financial statements of the [CPPIB Annual Report](#).

OVERPAYMENT OF BENEFITS

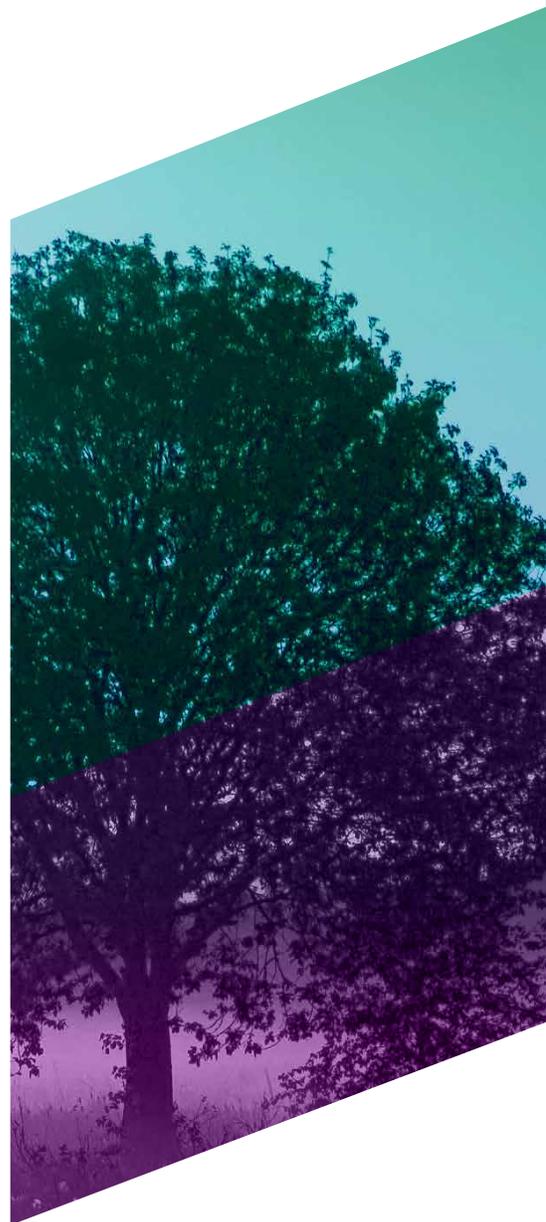
Consistent with its mandate to manage the CPP effectively, ESDC has procedures in place to detect benefit overpayments. During the fiscal year ending March 31, 2023, overpayments totaling \$170 million were detected, \$83 million in overpayments were recovered and debts of \$4 million were forgiven. The above figures represent a net increase of \$83 million in the accounts receivable for the year.

Looking to the future

The CPP is reviewed by ministers of Finance every 3 years to ensure that it continues to meet the evolving needs of Canadians. The 2022 to 2024 Triennial Review began in late 2022, following the tabling of the ***Thirty-first Actuarial Report on the Canada Pension Plan as at December 31, 2021***. The consultations between federal, provincial, and territorial governments continue in 2023 and 2024. The final decision on the potential changes to the Plan, if any, are expected to be announced in 2024.

Canada Pension Plan consolidated financial statements

Consult the Canada Pension Plan consolidated financial statements
for the year ended March 31, 2023.





**Employment and Social
Development Canada**

**Emploi et Développement
social Canada**

Canada Pension Plan

**Canada Pension Plan
Consolidated Financial Statements
for the year ended March 31, 2023**

Canada Pension Plan Management's Responsibility for Financial Statements

The consolidated financial statements of the Canada Pension Plan are prepared in accordance with the *Canada Pension Plan* by the management of Employment and Social Development Canada. Management is responsible for determining that the applicable financial reporting framework is acceptable and is responsible for the integrity and objectivity of the information in the consolidated financial statements, including the amounts which must, of necessity, be based on best estimates and judgment. The significant accounting policies are identified in Note 2 to the consolidated financial statements. The financial information presented throughout the Annual Report is consistent with the consolidated financial statements.

To fulfill its accounting and reporting responsibilities, management has developed and maintains books of account, financial and management controls, information systems and management practices. These systems are designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Canada Pension Plan*, the *Canada Pension Plan Investment Board Act* and the *Financial Administration Act* and their accompanying regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, conducts an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provides a report to the Minister of Employment, Workforce Development and Official Languages.

Robertson,
Karen

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Karen
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Karen Robertson, CPA
Chief Financial Officer
Employment and Social Development Canada

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Jean-François Tremblay
Deputy Minister
Employment and Social Development Canada

Gatineau, Canada
August 28, 2023



INDEPENDENT AUDITOR'S REPORT

To the Minister of Employment, Workforce Development and Official Languages

Opinion

We have audited the consolidated financial statements of the Canada Pension Plan, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of operations, consolidated statement of changes in financial assets available for benefit payments and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Canada Pension Plan for the year ended 31 March 2023 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Canada Pension Plan in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist management of the Canada Pension Plan in complying with the financial reporting provisions of the *Canada Pension Plan* legislation. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the basis of accounting described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Canada Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Canada Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Canada Pension Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Canada Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Canada Pension Plan’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Canada Pension Plan to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Canada Pension Plan to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mathieu Le Sage, CPA
Principal
for the Auditor General of Canada

Ottawa, Canada
28 August 2023

Canada Pension Plan
Consolidated Statement of Financial Position
As at March 31

	2023	2022 ¹
	(in millions of dollars)	
Financial assets		
Cash (Note 3)	495	404
Receivables (Note 4)	4,441	9,444
Investments (Note 6)	702,533	679,115
Pending trades receivable (Note 6)	2,945	7,964
Other	9	-
	710,423	696,927
Liabilities		
Payables and accrued liabilities (Note 8)	1,869	1,632
Investment liabilities (Note 6)	133,583	123,545
Pending trades payable (Note 6)	1,599	24,168
	137,051	149,345
Financial assets available for benefit payments	573,372	547,582
Non-financial assets		
Premises, equipment and others	571	496
Assets available for benefit payments	573,943	548,078

¹ Certain comparatives have been reclassified to conform to the current year's presentation.

Actuarial obligation in respect of benefits (Note 13)
Contractual obligations and commitments (Note 14)
Contingent liabilities (Note 15)

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

Approved by:

Robertson, Karen
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Karen Robertson, CPA
Chief Financial Officer
Employment and Social Development Canada

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Jean-François Tremblay
Deputy Minister
Employment and Social Development Canada

Canada Pension Plan
Consolidated Statement of Operations
for the year ended March 31

	Budget 2023	Actual 2023	Actual 2022
	(Note 9)	(in millions of dollars)	
Revenues			
Contributions	72,028	74,846	64,640
Net investment income			
Investment income (Note 10)		11,960	36,319
Investment-related expenses (Note 10)		(2,578)	(475)
	(28,943)	9,382	35,844
	43,085	84,228	100,484
Expenses			
Pensions and benefits			
Retirement	46,754	44,568	41,856
Survivor	5,067	5,068	4,885
Disability	4,433	4,305	4,355
Disabled contributor's child	331	301	312
Death	430	446	454
Orphan	232	228	219
Post-Retirement		1,164	932
Post-Retirement Disability		41	40
Net overpayments (Note 4)		(166)	(125)
	57,247	55,955	52,928
Operating expenses (Note 11)	2,544	2,408	2,306
	59,791	58,363	55,234
Net increase in assets available for benefit payments	(16,706)	25,865	45,250
Assets available for benefit payments, beginning of year	548,078	548,078	502,828
Assets available for benefit payments, end of year	531,372	573,943	548,078

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

Canada Pension Plan
Consolidated Statement of Changes in Financial Assets Available for
Benefit Payments

for the year ended March 31

	Budget 2023	Actual 2023	Actual 2022
	(Note 9)	(in millions of dollars)	
Net (decrease) increase in assets available for benefit payments	(16,706)	25,865	45,250
Changes in non-financial assets	-	(75)	9
(Decrease) Increase in financial assets available for benefit payments	(16,706)	25,790	45,259
Financial assets available for benefit payments, beginning of year	547,582	547,582	502,323
Financial assets available for benefit payments, end of year	530,876	573,372	547,582

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

Canada Pension Plan
Consolidated Statement of Cash Flow
for the year ended March 31

	2023	2022 ¹
	(in millions of dollars)	
Cash flows from operating activities		
Net increase in assets available for benefit payments	25,865	45,250
Adjustments for non-cash items:		
Amortization of premises and equipment	72	61
(Gains) on debt financing liabilities (Note 6j)	(853)	(4,137)
Adjustments for net changes in operating assets and liabilities:		
(Increase) in investments	(23,418)	(82,935)
Decrease (Increase) in pending trades receivable	5,019	(5,301)
Increase in investment liabilities	1,944	17,480
(Decrease) Increase in pending trades payable	(22,569)	20,977
Decrease (Increase) in other assets and receivable	4,999	(3,288)
Increase in accounts payable and accrued liabilities	237	166
	(8,704)	(11,727)
Cash flows from financing activities		
Proceeds from debt financing liabilities (Note 6j)	13,671	17,229
Repayments of debt financing liabilities (Note 6j)	(4,724)	(5,413)
	8,947	11,816
Cash flows from capital activities		
Acquisitions of premises and equipment	(152)	(49)
	(152)	(49)
Net increase in cash	91	40
Cash, beginning of year	404	364
Cash, end of year	495	404

¹ Certain comparatives have been reclassified to conform to the current year's presentation.

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

Canada Pension Plan

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

1. Authority, Objective and Responsibilities

a) Description of the Canada Pension Plan

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965 and its operations began in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada except Quebec, which operates the Québec Pension Plan (QPP), a comparable program.

The CPP'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 CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to the CPP. Self-employed workers pay the full amount.

The CPP is administered by the Government of Canada (GoC) and the provinces. The Minister of Employment, Workforce Development and Official Languages is responsible for the administration of the CPP, under the *Canada Pension Plan*; the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and her provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The CPP Investment Board (CPPIB), known as CPP Investments in the CPPIB Annual Report, is a federal crown corporation that was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (CPPIB Act) and its transactions are governed by the *CPPIB Act* and its accompanying regulations. CPPIB's assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

Under section 108.1 and 108.3 of the *Canada Pension Plan*, CPPIB is responsible for managing the amounts that are being transferred from the CPP that are not immediately needed to pay CPP pensions, benefits and operating expenses. It acts in the best interests of the beneficiaries and contributors under the *Canada Pension Plan*.

CPPIB and its wholly-owned subsidiaries are exempt from Part I income tax under paragraph 149(1)(d) of the *Income Tax Act* (Canada) on the basis that all of the shares of CPPIB are issued to the Minister of Finance and held on behalf of His Majesty the King in right of Canada.

CPPIB is designed to operate at arm's length from the government. It is required to be accountable to the public, to Parliament (through the federal Minister of Finance) and to the provinces. It provides regular reports of its activities and the results achieved. The financial statements of CPPIB are audited annually by an external firm and are included in its annual report.

As stated in the *Canada Pension Plan*, changes to the CPPIB Act and major changes to the *Canada Pension Plan* require the agreement of at least two-thirds of the provinces, representing at least two-thirds of the population of all the provinces.

On December 15, 2016, the *Canada Pension Plan*, the CPPIB Act and the *Income Tax Act* (Canada) were amended to reflect the CPP enhancement (Additional CPP). The CPP enhancement is being implemented through a phased-in approach over a 7-year period which began on January 1, 2019. It increases the amount of CPP contributions and the corresponding pensions and post-retirement benefits that will be paid on CPP contributions made after December 31, 2018.

As a result, the CPP consists of two separate accounts, one for the base CPP (CPP Account) and one for the additional CPP (Additional CPP Account), collectively referred to as the CPP Accounts, where the financial activities are recorded in the Account to which they relate (Note 17). The financial transactions affecting the CPP Accounts are governed by the *Canada Pension Plan* and its regulations. Pursuant to subsections 112(1) and 112(2) of the *Canada Pension Plan*, one set of annual financial statements is published on a consolidated basis to include the accounts of the CPP and CPPIB.

Canada Pension Plan

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

b) Pensions and Benefits

Retirement pensions – According to the provisions of the *Canada Pension Plan*, a retirement pension is payable to CPP contributors who have made at least one valid contribution to the Plan. The monthly pension consists of three components: (i) a base component equal to 25% of the contributor's average monthly pensionable earnings below the annual threshold during the pensionable period; (ii) a first additional component equal to 8.33% of the average of the contributor's 480 highest monthly pensionable earnings during the pensionable period, which began in January 2019; and (iii) a second additional component equal to 33.33% of the average of the contributor's 480 highest monthly additional pensionable earnings during the pensionable period, which begins in January 2024.

The normal age to begin collecting the retirement pension is 65. However, contributors can either elect to take an actuarially-reduced pension as early as age 60, or an actuarially-increased pension as late as age 70. The maximum monthly pension payable at age 65 in 2023 is \$1,306.57 (2022 – \$1,253.59).

Post-retirement benefits – According to the provisions of the *Canada Pension Plan*, a post-retirement benefit (PRB) is payable to each individual between the ages of 60 and 70 who has continued to work and has made contributions to the Plan while collecting their CPP or QPP retirement pension. Contributions are mandatory for working retirement pension recipients until the age of 65, at which point they may elect to cease contributing. Contributions are no longer allowed after reaching age 70. The PRB becomes payable the year after contributions were made. The maximum monthly PRB at age 65 in 2023 is \$40.25 (2022 – \$36.26).

Disability pensions – According to the provisions of the *Canada Pension Plan*, a disability pension is payable to a working-age contributor who meets both the medical and contributory requirements. The amount of the disability pension to be paid includes a flat rate portion and an amount equal to 75% of the earned retirement pension. The disability pension ends automatically at age 65, when recipients are automatically converted to receive the retirement pension. The maximum monthly disability pension in 2023 is \$1,538.67 (2022 – \$1,464.83).

Post-retirement disability benefits – According to the provisions of the *Canada Pension Plan*, a post-retirement disability benefit is payable to an individual under the age of 65 in receipt of a retirement pension who meets the same medical and contributory criteria as the disability pension. The post-retirement disability benefit is equal to the flat rate portion of the disability pension and is added to individual's retirement pension. Like the disability pension, the post-retirement disability benefit ends automatically at age 65, when the recipient becomes eligible for benefits under the Old Age Security program. The maximum monthly post-retirement disability benefit in 2023 is \$558.74 (2022 – \$524.64).

Survivor's pensions – According to the provisions of the *Canada Pension Plan*, a survivor's pension is payable to the spouse or common-law partner of a deceased contributor who made sufficient contributions to the Plan. The pension amount depends on the age of the survivor and whether the survivor also receives other CPP benefits. Survivors aged 65 or older receive a pension equal to 60% of the deceased contributor's retirement pension. Survivors under the age of 65 receive a pension equal to 37.5% of the deceased contributor's retirement pension, plus a flat rate. The maximum monthly pension payable to a survivor under the age of 65 in 2023 is \$707.95 (2022 - \$674.79) and to a survivor 65 and over in 2023 is \$783.94 (2022 – \$752.15).

Disabled contributor's child and orphan benefits – According to the provisions of the *Canada Pension Plan*, each child of a contributor who is receiving a disability pension or a post-retirement disability benefit or a child of a deceased contributor 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 2023 is \$281.72 (2022 – \$264.53).

Death benefits – According to the provisions of the *Canada Pension Plan*, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor who made sufficient contributions to the Plan. The death benefit is a flat-rate payment of \$2,500 in 2023 (2022 – a flat-rate payment of \$2,500).

Canada Pension Plan

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

Pensions and benefits indexation – As required by the *Canada Pension Plan*, pensions and benefits are indexed annually to the cost of living, as determined by the Consumer Price Index for Canada. The rate of indexation for 2023 is 6.5% (2022 – 2.7%).

2. Significant Accounting Policies

a) *Basis of Accounting*

These financial statements have been prepared in accordance with the significant accounting policies described below in compliance with the *Canada Pension Plan*. The financial statements are presented on a consolidated basis to include the accounts of the CPP and CPPIB and include a consolidated statement of financial position, a consolidated statement of operations, a consolidated statement of changes in financial assets available for benefit payments and a consolidated statement of cash flow.

The CPP, which is managed by both the GoC and the provinces, is not considered to be part of the reporting entity of the GoC. Accordingly, its financial activities are not consolidated with those of the GoC.

b) *International Financial Reporting Standards*

CPPIB, which is a significant component of the CPP consolidated financial statements, prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). CPPIB qualifies as an investment entity and reports the results of its operations in accordance with IFRS 10 - *Consolidated Financial Statements*. As a consequence, CPPIB's consolidated financial statements represent the results of operations of CPPIB and its wholly owned subsidiaries that were created to provide investment-related services to support its operations. Operating subsidiaries of this nature include those that provide investment advisory services or subsidiaries that were created to provide financing to CPPIB.

Wholly owned subsidiaries that are managed by CPPIB to hold investments are referred to herein as investment holding subsidiaries. Such subsidiaries are not consolidated in CPPIB's consolidated financial statements but instead are measured and reported at fair value through profit and loss (FVTPL) in accordance with IFRS 9, *Financial Instruments*, and reported as investments in CPPIB's Consolidated Balance Sheet.

There is no impact on financial assets available for benefit payments and net increase in assets available for benefit payments as a result of CPPIB preparing its financial statements in accordance with IFRS. Certain incremental financial statement disclosures from CPPIB financial statements related to investments and investment liabilities are included as supplementary information in these consolidated financial statements.

c) *Financial Instruments*

The CPP, through CPPIB, classifies its financial assets and financial liabilities, in accordance with IFRS 9, as follows:

Financial assets are either classified at FVTPL or at amortized cost. The classification depends on (a) the business model for managing the financial assets and (b) the cash flow characteristics of the financial assets. Financial assets are classified at FVTPL on the basis that they are part of a portfolio of investments which is managed to maximize returns without undue risk of loss and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of CPPIB. Financial assets classified at FVTPL include investments in equities, fixed income, absolute return strategies, infrastructure, real estate, securities purchased under reverse repurchase agreements and derivatives. Financial assets carried at amortized cost include cash and cash equivalents, pending trades receivable, cash collateral pledged on securities borrowed, other investment receivables and other assets.

Canada Pension Plan

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

Financial liabilities are either classified at FVTPL or at amortized cost. A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are derivative liabilities and securities sold short. Financial liabilities designated at FVTPL include debt financing liabilities, securities and loans sold under repurchase agreements and other investment liabilities. Financial liabilities at amortized cost include pending trades payable, cash collateral received on securities lent, accounts payable and accrued liabilities and other investment liabilities.

The CPP, through CPPIB, recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the financial instrument. Investments, investment receivables, investment liabilities, pending trades receivable and pending trades payable are recorded on a trade date basis.

A financial asset is derecognized under the following situations: (a) when the contractual rights to receive the cash flows from the financial asset expire, (b) when CPP, through CPPIB, has transferred the financial asset and substantially all the risks and rewards of the asset, or (c) in cases where CPP, through CPPIB, has neither retained nor transferred substantially all risks and rewards of the asset, it no longer retains control over the asset. CPP, through CPPIB, derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

Upon initial recognition, financial instruments are measured at fair value. They continue to be measured at fair value or amortized cost. Subsequent changes in the fair value are recorded as realized and unrealized gains and losses on investments and included in net investment income (loss), along with the interest and dividend incomes from such financial instruments.

d) Valuation of Investments and Investment Liabilities

Investments and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, option pricing models and other accepted industry valuation methods, that may include the use of estimates made by management, appraisers or both where significant judgment is required.

e) Contributions

Contributions include CPP contributions earned for the year. The Canada Revenue Agency (CRA) collects contributions and measures them using the assessment of tax returns. In determining the amount of contributions earned for the year, the CRA considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review. Adjustments, if any, are recorded as contributions in the year they are known.

f) Investment Income

Income from investments includes realized and unrealized gains and losses on private, public and other investments, realized and unrealized gains and losses on investments held by investment holding subsidiaries, and interest, dividends and other income. Gains and losses on private investments are generated from private equities, infrastructure and real estate. Gains and losses on public and other investments are generated from public equities, fixed income, absolute return strategies, derivatives, securities sold short, reverse repurchase agreements, repurchase agreements and other. Interest and other income are recognized as earned. Dividend income is recognized on the ex-dividend date, which is when the right to receive the dividend has been established. Interest, dividends and other income also includes dividend income received from investment holding subsidiaries.

Canada Pension Plan

Notes to Consolidated Financial Statements

for the year ended March 31, 2023

g) Investment-Related Expenses

Investment-related expenses include the following types of expenses:

Management fees include payments to external managers who invest and manage capital committed by CPP, through CPPIB, and are expensed as incurred.

Performance fees include payments to external managers when CPP, through CPPIB, earns a return that exceeds a set rate of return and are expensed as incurred.

Transaction-related expenses include incremental costs that are directly attributable to the acquisition, maintenance, restructuring or disposal of an investment. Such expenses include a variety of non-recurring expenses, including due diligence on potential investments, legal and tax advisory fees required to support transactions involving private market assets, or, in the case of public markets, custodial fees and commissions paid when trading securities. They are expensed as incurred.

Taxes incurred by CPP, through CPPIB, includes taxes in a number of foreign jurisdictions and also indirect taxes. Taxes consists largely of taxes on dividends, interest income and capital gains related to investments in equities, debt and investment holding subsidiaries. The majority of these taxes are collected at source.

Withholding taxes, net of deductions for refundable amounts, are recognized at the same time as the related dividend or interest income and refundable withholding tax is presented as other investment receivables.

Other income tax, which is not collected at source, is recognized in the same period as the related income or gain. Deferred tax on capital gains is recognized as other investment liabilities, based on the expected future payment when CPP, through CPPIB, is in a gain position in the applicable market. Changes in the deferred tax liability in the year are recorded as an expense or recovery within taxes. All uncertain tax positions, such as disputed withholding tax refunds, are assessed each reporting period.

Financing expenses include interest and other costs that are incurred when borrowing funds or securities. They are composed of expenses from debt financing liabilities, securities and loans sold under repurchase agreements, prime brokerage and other securities lending and borrowing transactions. Gains and losses associated with certain interest rate derivatives used as part of financing activities are also included in financing expenses. They are expensed as incurred.

All investment-related expenses borne by the investment holding subsidiaries are recognized as part of the unrealized gain or loss on investment holding subsidiaries.

h) Foreign Currency Translation

Transactions, including purchases and sales of investments, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Investments and monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date. Non-monetary items in a foreign currency are measured at historical cost and are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transaction gains and losses on financial instruments classified at FVTPL are included with associated fair value gains and losses in investment income (loss).

i) Pensions and Benefits

Pensions and benefits expenses are recorded when incurred and are net of overpayments established during the year. Accruals are recorded at year-end for pensions and benefits owed to beneficiaries but not paid, based on management's best estimate.

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for the year ended March 31, 2023

j) Tax Deductions Due to the Canada Revenue Agency

Tax deductions due to the CRA consist primarily of voluntary and non-resident taxes withheld from pensions and benefit payments to CPP beneficiaries (refer to Note 8).

k) Net Overpayments

Net overpayments comprise overpayments of pensions and benefits that were established during the year less remissions of debts granted.

l) Operating Expenses

Operating expenses are recorded as incurred.

m) Other Claims and Legal Actions

The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate can be made.

n) Related Party Transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions are recorded on a gross basis and are measured at the carrying amount, except for the following:

- (i) Inter-entity transactions are measured at the exchange amount when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or when the costs of goods or services are provided on a recovery basis.
- (ii) Goods or services received without charge between commonly controlled entities are not recorded.

Related parties include key management personnel having authority and responsibility for planning, directing and controlling the activities of the CPP, including their close family members. Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

o) Measurement Uncertainty

The preparation of the consolidated financial statements in accordance with the *Canada Pension Plan* requires management to make estimates, judgments and assumptions that affect the amounts recognized for assets and liabilities, principally the valuation of financial instruments, which are not actively traded. The evolving geopolitical landscape and inflation continue to have widespread impacts around the world, including an increase in market volatility. Uncertainty about these estimates, judgments and assumptions and impacts from the war in Ukraine, inflation and central banks' responsive measures, and the continued effect of the COVID-19 pandemic may result in outcomes that could require a material adjustment to the carrying amount of the affected assets or liabilities in the future.

Significant estimates, judgments and assumptions are also required for the revenues and expenses during the reporting period, principally in determining the estimated contributions, and actuarial obligation in respect of benefits. Although the actuarial obligation in respect of benefits is reviewed triennially as per Note 13, management makes estimates, judgments and assumptions based on the best information available at the time of the preparation of these financial statements. Measurement uncertainty exists in these consolidated financial statements. Actual results could significantly differ from those estimates.

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3. Cash

Cash consists of the total cash held by the CPP Accounts and CPPIB. The CPP Accounts were established in the accounts of Canada by the *Canada Pension Plan* to record the contributions, interest, pensions, benefits and operating expenses of the CPP. The CPP Accounts also record the amounts transferred to or received from CPPIB. As at March 31, 2023, the deposit with the Receiver General for Canada in the CPP Accounts is \$306 million (2022 – \$101 million) and CPPIB's cash is \$189 million (2022 – \$303 million) for a total of \$495 million (2022 – \$404 million).

4. Receivables

Receivables are comprised of the following, as at March 31:

	2023	2022
	(in millions of dollars)	
Contributions	4,049	9,186
Québec Pension Plan Beneficiaries	128	120
Balance of pensions and benefits overpayments	324	241
Allowance for doubtful accounts	(129)	(149)
Others	69	46
	4,441	9,444

Contributions receivable represent the estimated amount to be collected by the CRA and transferred to the CPP relating to contributions earned at year end and adjusted for tax returns not yet assessed. The amount includes an estimate that takes into consideration the number of contributors and the average contribution to be received, which is based on the average earnings and the CPP contribution rate. On an annual basis, the model used to make the estimate is reviewed. The difference between the estimate and the actual amount has not been significant in the past.

The CPP has procedures to detect benefits overpayments. During the year, overpayments totalling \$170 million (2022 – \$129 million) were established and debts totalling \$4 million (2022 – \$4 million) were forgiven as per the remission provisions of the *Canada Pension Plan*. A further \$83 million (2022 – \$77 million) was recovered through collection of payments and withholdings from beneficiaries.

5. Investment Activities Risk Management

The CPP, through the investment activities carried out by CPPIB, is exposed to a variety of financial risks. These risks include market risk, credit risk and liquidity and leverage risk. CPPIB employs the Risk Policy (Policy), which establishes accountability of the Board of Directors, the various committees, including the Risk Committee, and the investment departments to manage investment related risks. CPPIB manages and mitigates investment risks through the Policy approved by the Board of Directors at least once every fiscal year. This Policy contains risk appetite (in the form of limits, statements and targets) and risk management provisions that govern investment decisions in accordance with the mandate of CPPIB.

Upper and lower absolute risk limits within the Policy govern the amount of total investment risk that CPPIB can take in the base CPP Investment Portfolio and additional CPP Investment Portfolio (collectively the CPPIB Investment Portfolios). CPPIB monitors potential investment losses in CPPIB Investment Portfolios daily and reports to the Board of Directors on at least a quarterly basis.

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The evolving geopolitical landscape and inflation continue to have widespread impacts around the world, including in increase in market volatility. Throughout this volatile environment, CPP, through CPPIB, continues to remain within all risk limits established by its Board of Directors, including limits related to market, credit, liquidity and leverage risks.

As part of the ongoing monitoring, CPP, through CPPIB, performs scenarios analysis to assess the impact of potential stress events and identify potential vulnerabilities that may not be fully captured by standard risk measures and models. This includes how severe market or geopolitical events could affect the Investment Portfolios. For the events of 2022, CPP, through CPPIB, ran an inflation scenario that aggregates both the war in Ukraine and inflation-driven shocks. Ad hoc analysis is also performed on various plausible stress scenarios based on current global events, such as potential impacts of Chinese economic/regulatory policies, China/U.S. geopolitical tensions, and bank credit crisis scenarios. The resulting potential loss estimates are monitored and considered in the context of CPPIB's stated risk appetites.

- (i) **Market Risk:** Market risk (including equity risk, interest rate risk, credit spread risk and currency risk) is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market prices and rates.

Equity Risk: Equity risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in equity prices, which is a significant source of risk of the CPPIB Investment Portfolios.

The CPP, through CPPIB, invests in both publicly traded and private equities. With all other variables held constant, a 1% decrease/increase in the S&P 500 Index would result in a loss/profit of \$1,248 million (2022 – \$1,218 million) on public equity investments. This calculation assumes that equities other than the S&P 500 Index would move in accordance with their historical behaviour conditional on a 1% decrease/increase in the S&P 500 Index.

Interest Rate Risk: Interest rate risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market interest rates.

Applicable to debt instruments and interest-rate-sensitive derivatives, with all other variables held constant, a 1 basis point increase/decrease in nominal risk-free rates would result in a decrease/increase of \$138 million (2022 - \$104 million) in the value of investments directly impacted by interest rate changes.

Credit Spread Risk: Credit spread risk is the difference in yield on certain securities compared to a comparable risk-free security (i.e. government issued) with the same maturity date. Credit spread risk is the risk that the fair value of these securities will fluctuate because of changes in credit spread.

With all other variables held constant, a 1 basis point widening of credit spread rates would result in a decrease in net assets by \$26 million (2022 - \$30 million).

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Currency Risk: The CPP, through CPPIB, is exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

In Canadian dollars, the net currency exposures, after allocating foreign currency derivatives, as at March 31, are as follows:

(in millions of dollars) Currency	2023		2022	
	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	276,146	48	296,341	55
Euro	45,124	8	39,127	7
Chinese Renminbi	20,384	4	25,953	5
Japanese Yen	17,324	3	5,799	1
Other	89,164	16	84,956	16
Total Foreign Exposure	448,142	79	452,176	84
Canadian Dollar	122,154	21	87,190	16
	570,296	100	539,366	100

As at March 31, 2023, with all other variables and underlying values held constant, a 10% appreciation/depreciation of the Canadian dollar against all other currencies would result in a decrease/increase in net investments by \$44,814 million (March 31, 2022 - \$45,218 million).

- (ii) **Credit Risk:** Credit risk is the risk of the potential permanent loss of investment value due to direct or indirect counterparty exposure to a defaulted entity and/or financial losses due to deterioration of an entity's credit quality. The CPP's, through CPPIB, credit risk arises primarily through its investment in non-investment grade entities such as debt securities and over-the-counter derivatives (as discussed in Note 6i). The carrying amounts of these investments are presented in Note 6.
- (iii) **Liquidity and leverage Risk:** Liquidity and leverage risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet pensions and benefit payments, investment commitments and investment liabilities as they come due. Leverage risk increases when excessive financial obligations heighten market and liquidity risks during periods of stress. The CPP manages this risk through cash flow planning for both short-term and long-term requirements. The cash flow is prepared for a two-year period and updated on a weekly basis to inform CPPIB of the funds required by CPP to meet its financial obligations (refer to Note 17). In order to manage liquidity risk, various forms of leverage are used to manage certain other risks and enhance fund returns.

Liquidity risk is also managed by investing certain assets in a liquid portfolio of publicly traded equities, money market securities and marketable bonds, to ensure liquid securities are available for investment obligations and for transfer of funds to CPP to meet benefit payment obligations over various time horizons including any 10-day period. Also, the CPP, through CPPIB, supplements its management of liquidity risk through its ability to raise funds through the issuance of unsecured debt, including term debt and transacting in securities sold under repurchase agreements (refer to Note 6 and Note 7).

CPPIB maintains \$1,500 million (2022 – \$1,500 million) of unsecured credit facilities to meet potential liquidity requirements. There were no credit facilities drawn as at March 31, 2023 and March 31, 2022.

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Notes to Consolidated Financial Statements

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6. Investments and Investment Liabilities

As stated in Note 1, the role of CPPIB is to invest the assets with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. To achieve its mandate, CPPIB has established investment policies in accordance with its regulations. These set out the manner in which their assets shall be invested and their financial risks managed and mitigated through the Integrated Risk Framework.

In an active market, the fair value is best evidenced by an independent quoted market price. In the absence of an active market, valuation can be significantly more complex and often subjective, requiring judgment. As a result, CPPIB categorizes the fair value of its investments and investment liabilities within the three levels of the fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of Level 3 investments are determined using valuation techniques that use models with unobservable inputs while maximizing the use of inputs observed from market and therefore, are particularly judgmental. As each investment holding subsidiary is largely composed of Level 3 investments, the entire subsidiary is classified as Level 3.

The total of CPPIB's net investments not actively traded as at March 31, 2023 consists of investments categorized in Level 2 and 3, and is valued at \$413,045 million (2022 - \$416,864 million), of which \$326,863 million (2022 - \$299,556 million) are all investments held by investment holding subsidiaries.

Significant changes in the unobservable inputs would result in a significantly higher or lower value measurement. As at March 31, 2023, with all other variable held constant, the use of reasonable alternative assumptions would result in a decrease of \$10,300 million (2022 - \$8,600 million) or increase of \$9,900 million (2022 - \$10,100 million) in net assets.

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The Consolidated Schedule of Investment Portfolio below provides information on investments and investment liabilities held by both CPPIB and its investment holding subsidiaries, as at March 31:

	2023	2022 ²
	(in millions of dollars)	
Cash and cash equivalents	12,866	15,341
Equities		
Private equities	187,126	173,767
Public equities	165,958	159,564
Total Equities	353,084	333,331
Fixed income		
Bonds	128,103	108,311
Other debt	48,819	40,956
Money market securities	2,576	1,368
Total Fixed income	179,498	150,635
Absolute return strategies	42,673	34,681
Infrastructure	46,690	46,481
Real estate	45,508	42,336
Investment receivables		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	23,522	56,809
Derivative assets	2,862	2,933
Other	4,002	5,986
Total Investment receivables	30,386	65,728
Total Investments¹	710,705	688,533
Investment liabilities		
Debt financing liabilities	(59,362)	(50,703)
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	(54,515)	(43,629)
Securities sold short	(22,065)	(29,003)
Derivative liabilities	(2,710)	(4,775)
Other	(3,411)	(2,775)
Total Investment liabilities¹	(142,063)	(130,885)
Pending trades receivable ¹	3,526	8,525
Pending trades payable ¹	(1,872)	(26,807)
Net Investments	570,296	539,366

¹ Consists of all the financial assets and liabilities held by both CPPIB and its investment holding subsidiaries. In contrast, the CPP's Consolidated Statement of Financial Position presents all financial assets and liabilities held by investment holding subsidiaries at fair value as investments. This results in a difference of \$8,172 million (March 31, 2022 - \$9,418 million), \$8,480 million (March 31, 2022 - \$7,340 million), \$581 million (March 31, 2022 - \$561 million) and \$273 million (March 31, 2022 - \$2,639 million) as compared to investments, investment liabilities, pending trades receivable and pending trades payable, respectively, as presented in the CPP's Consolidated Statement of Financial Position. Refer to Note 2b) for further details.

² Certain comparatives have been reclassified to conform to the current year's presentation.

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Notes to Consolidated Financial Statements

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a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and short-term deposits, commercial paper, bank accepted bills, floating rate deposit notes and treasury bills with a maturity of 90 days or less. Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term or floating rate nature of these assets.

b) Equities

Equities consist of public and private investments.

- (i) Public equity investments are made directly or through funds, including hedge funds. Fair value for publicly traded equities, including equity short positions, is based on quoted market prices. Fair value for fund investments is generally based on the net asset value reported by the external administrators or managers of the funds.
- (ii) Private equity investments are generally made directly or through ownership in limited partnership funds. As at March 31, 2023, private equities included direct investments with a fair value of \$105,187 million (2022 – \$96,656 million). The fair value for investments held directly is primarily determined using accepted industry valuation methods such as earnings multiples of comparable publicly traded companies or discounted cash flows. Recent market transactions, where available, are also used. In the case of investments held through a limited partnership fund, fair value is generally based on net asset value or relevant information reported by the general partner using similar accepted industry valuation methods.

c) Fixed Income

- (i) Bonds include non-marketable and marketable bonds. Fair value for non-marketable Canadian provincial government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics. In the case of marketable bonds, including bond short positions, fair value is based on quoted prices or calculated using discounted cash flows based on benchmark yield curves and credit spreads pertaining to the issuer.
- (ii) Other debt includes investments in direct private debt, asset-backed securities, distressed mortgage funds, private debt funds, hedge funds and investments in royalty-related income streams. Fair value for direct investments in private debt and asset-backed securities is based on quoted market prices or broker quotes or recent market transactions, if available. Where the market price is not available, fair value is calculated using discounted cash flows based on significant inputs such as projected cash flows and discount rates using current market yields of instruments with similar characteristics.
- (iii) Money market securities consist of term deposits, treasury bills, commercial paper and floating rate note, all of which have a maturity of over 90 days. Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term or floating rate nature of these securities.

d) Absolute Return Strategies

Absolute return strategies include investments in hedge funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indexes. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives. Fair value for these fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

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e) *Infrastructure*

Infrastructure investments are generally made directly, but can also occur through limited partnership funds.

Fair value of these investments is primarily determined using discounted cash flows based on significant inputs including projected cash flows and discount rates using current market yields of instruments with similar characteristics. Fair value for investments held through limited partnership funds is generally based on the net asset value as reported by the external managers of the funds.

As at March 31, 2023, infrastructure investments include direct investments with a fair value of \$46,610 million (2022 – \$46,428 million) and \$80 million in fund investments (2022 – \$53 million).

f) *Real Estate*

Real estate investments are generally made through direct private investments, or through ownership of real estate funds. Private real estate investments are managed by investment partners primarily through co-ownership arrangements.

Fair value for private real estate investments is determined using accepted industry valuation methods such as discounted cash flows. Fair value is also determined using net asset value provided by the investment partner. Fair value for real estate funds is generally based on the net asset value reported by the external managers of the funds.

As at March 31, 2023, real estate investments include direct investments with a fair value of \$43,777 million (2022 - \$40,745 million) and \$1,731 million in fund investments (2022 – \$1,591 million).

g) *Securities Purchased under Reverse Repurchase Agreements and Securities and Loans Sold under Repurchase Agreements*

Securities purchased under reverse repurchase agreements represent the purchase of securities with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. The purchased securities under these agreements are not recognized on the consolidated statement of financial position. The fair value of securities to be resold under reverse repurchase agreements is monitored and additional collateral is obtained, when appropriate, to protect against credit exposure. In the event of counterparty default, the CPP, through CPPIB, has the right to liquidate the collateral held.

Securities and loans sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified price at a specified future date. The securities and loans sold under these agreements continue to be recognized on the consolidated statement of financial position with any changes in fair value recorded as net gain (loss) on investments and included in net investment income (loss).

Interest earned on reverse repurchase agreements is included in interest income within investment income. Interest incurred on repurchase agreements is included in financing expenses.

Reverse repurchase and repurchase agreements are carried at the amounts at which the securities or loans were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature or variable interest rate of these agreements.

The fair value of the securities purchased under reverse repurchase agreements held directly by CPPIB, as at March 31, 2023, are all within 1 year from the reporting date, \$22,240 million (2022 – \$56,178 million).

The fair value of the securities purchased under reverse repurchase agreements held by investment holding subsidiaries, as at March 31, 2023, are all within 1 year to 5 years from the reporting date, \$132 million (2022 – nil).

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The contractual value of the securities sold under repurchase agreements held directly by CPPIB, as at March 31, 2023, are all within 1 year from the reporting date, \$50,785 million (2022 – \$35,740 million).

The contractual value of the loans sold under repurchase agreements held by investment holding subsidiaries, as at March 31, 2023, are all within 1 year to 5 years from the reporting date, \$211 million (2022 – \$168 million).

h) Securities Borrowed and Lent

Securities borrowing and lending agreements are transactions in which CPP, through CPPIB, borrows securities from or lends securities to third parties. Borrowed securities are not recognized on the consolidated statement of financial position. Lent securities remain on the consolidated statement of financial position as CPP, through CPPIB, retains substantially all of the risks and rewards of ownership of the transferred securities.

Collateral received or pledged is generally in the form of cash, equities or fixed income securities. Cash collateral received is accounted for as an investment liability while equities and fixed income securities received as collateral are not recognized on the consolidated statement of financial position. Cash collateral pledged is accounted for as an investment receivable, while securities collateral pledged by CPP, through CPPIB, in securities borrowing agreements remain on the consolidated statement of financial position. Costs relating to securities borrowing and lending are included in financing expenses.

The fair value of the cash collateral pledged on securities borrowed as at March 31, 2023, are all within 1 year from the reporting date, \$1,150 million (2022 – \$631 million).

The contractual value of the cash collateral received on securities lent as at March 31, 2023, are all within 1 year from the reporting date, \$3,910 million (2022 – \$7,714 million).

i) Derivative Assets and Liabilities

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges, centrally cleared or negotiated in over-the-counter markets. CPPIB uses different types of derivative instruments, which include futures and forwards, swaps, options and warrants.

Fair value for exchange-traded derivatives, which includes futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes forwards, swaps, options and warrants, is determined based on valuation techniques that make maximum use of inputs observed from markets such as option pricing models, discounted cash flows and consensus pricing from independent brokers and/or third-party vendors.

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Notes to Consolidated Financial Statements

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j) Debt Financing Liabilities

Debt financing liabilities consist of commercial paper payable, term debt, cash advances from prime brokers and loans. Commercial paper payable and cash advances from prime brokers is carried at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities. Fair value for term debt is based on quoted market prices. The fair value of loans is based on the discounted cash flows method or cost with accrued interest. Interest expense and associated costs on debt financing liabilities are included in financing expenses.

The terms to maturity of the contractual value of the debt financing liabilities held directly by CPPIB as at March 31, 2023, are as follows: within 1 year, \$5,175 million (2022 - \$2,564 million), and 1 year to 5 years, \$31,241 million (2022 - \$19,856 million), and 6 years to over 10 years, \$22,287 million (2022 - \$23,750 million).

The terms to maturity of the contractual value of the debt financing liabilities held by investment holding subsidiaries as at March 31, 2023, are as follows: within 1 year, \$148 million (2022 - \$84 million), 1 year to 5 years, \$4,873 million (2022 - \$4,108 million), and 6 years to over 10 years, \$824 million (2022 - \$1,106 million).

The following table provides a reconciliation of debt financing liabilities arising from financing activities in the Consolidated Statement of Cash Flow:

(in millions of dollars)	For the years ended	
	March 31, 2023	March 31, 2022 ²
Balance, beginning of year	45,362	37,683
Proceeds	13,671	17,229
Repayments	(4,724)	(5,413)
Non-cash changes in fair value ¹	(853)	(4,137)
Balance, end of year	53,456	45,362

¹ Includes foreign exchange losses of \$2,337 million (March 31, 2022 - \$1,087 million).

² Certain comparatives have been reclassified to conform to the current year's presentation.

k) Securities Sold Short

Securities sold short represent securities that are sold, but not owned, by the CPP, through CPPIB. The CPP, through CPPIB, has an obligation to cover these short positions, which are accounted for as an investment liability based on the fair value of the securities sold. Collateral is pledged to the counterparty, as required (refer to Note 7). Interest and dividend expenses on securities sold short are included in net investment income (loss).

As at March 31, 2023, securities sold short of \$22,065 million (2022 - \$29,003 million) are considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

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7. Collateral

Collateral transactions are conducted to support CPPIB's investment activities under the terms and conditions that are common and customary to collateral arrangements. These arrangements may be transacted by CPPIB or its investment holding subsidiaries in their normal course of business.

The fair value of collateral held and pledged directly by CPPIB as at March 31 was as follows:

	2023	2022 ⁵
	(in millions of dollars)	
Third-party assets held as collateral on¹:		
Reverse repurchase agreements	22,592	55,897
Derivative transactions	777	538
Securities lent ^{2,3}	6,900	8,935
Total	30,269	65,370
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(50,527)	(35,518)
Securities borrowed ^{3,4}	(26,840)	(32,298)
Derivative transactions	(10,778)	(10,634)
Debt financing liabilities	(953)	(1,964)
Total	(89,098)	(80,414)

1 The fair value of collateral sold or repledged as at March 31, 2023 was \$7,347 million (2022 – \$16,233 million).

2 The fair value of securities lent as at March 31, 2023 was \$6,800 million (2022 - \$9,054 million).

3 Cash collateral payable of \$3,910 million (2022 - \$7,714 million) as at March 31, 2023 consists of collateral receivable of nil and collateral payable of \$3,910 million that qualify for netting (2022 - \$140 million and \$7,854 million, respectively).

4 The fair value of securities borrowed as at March 31, 2023 was \$21,313 million (2022 – \$21,888 million) of which \$18,914 million was used (2022 – \$21,752 million) for short selling activity.

5 Certain comparatives have been reclassified to conform to the current year's presentation.

The fair value of collateral held and pledged directly by investment holding subsidiaries as at March 31 was as follows:

	2023	2022
	(in millions of dollars)	
Third-party assets held as collateral on¹:		
Reverse repurchase agreements	132	-
Total	132	-
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(353)	(292)
Securities borrowed ^{2,3}	(13,611)	(8,469)
Derivative transactions ³	(785)	(574)
Private equities ⁴	(11,715)	(10,156)
Debt financing liabilities	(10,466)	(10,037)
Total	(36,930)	(29,528)

1 The fair value of collateral sold or repledged as at March 31, 2023 was nil (2022 – nil).

2 The fair value of securities borrowed as at March 31, 2023 was \$8,020 million (2022 – \$4,967 million), which were all used for short selling activity.

3 The cash collateral at the prime brokers may be used for securities borrowed and derivatives transacted by broker.

4 Represents securities pledged as collateral on loan borrowings of the investees.

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8. Payables and Accrued Liabilities

Payables and accrued liabilities are comprised of the following, as at March 31:

	2023	2022
	(in millions of dollars)	
Operating expenses	1,099	935
Pensions and benefits payable	447	407
Tax deductions on benefits due to Canada Revenue Agency	323	290
	1,869	1,632

9. Comparison of Results Against Budget

The budget amounts included in the Consolidated Statement of Operations and the Consolidated Statement of Changes in Financial Assets Available for Benefit Payments are derived from the amounts that were originally budgeted in the *2022-2023 Employment and Social Development Canada Departmental Plan*, tabled in Parliament in March 2022 and amounts forecasted by the Office of the Superintendent of Financial Institutions.

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10. Investment Income and Investment-Related Expenses

CPPIB qualifies as an investment entity (refer to Note 2b). Investment income on investments made through investment holding subsidiaries is presented as unrealized gains or losses. Investment-related expenses borne by the investment holding subsidiaries are a reduction in the net asset values of the investment holding subsidiaries and thus are a component of the unrealized gains or losses on investment holding subsidiaries. All realized and unrealized gains and losses are presented as net gains or losses in CPPIB's consolidated financial statements.

The following table provides further details on investment income and investment-related expenses of CPPIB, for the year ended March 31:

	2023	2022
	(in millions of dollars)	
Investment Income of CPP		
Interest income	11	1
Investment Income of CPPIB		
Interest, dividends, and other income	11,719	11,647
Realized gains on private investments	505	1,242
Unrealized losses on private investments	(2,102)	(830)
Realized and unrealized losses on public and other investments	(15,328)	(8,217)
Unrealized gains on investment holding subsidiaries (see details in the table below)	17,155	32,476
Total investment income	11,960	36,319
Investment-related expenses of CPPIB		
Management fees	(19)	(20)
Performance fees	(71)	(38)
Transaction-related	(295)	(321)
Taxes	(46)	(232)
Financing	(2,147)	136
Total Investment-related expenses	(2,578)	(475)

The following table presents supplemental information on unrealized gains on investment holding subsidiaries, for the year ended March 31:

	2023	2022 ¹
	(in millions of dollars)	
Investment Income of Investment holding subsidiaries		
Interest, dividends, and other income	8,082	8,207
Realized gains on private investments	3,639	21,352
Unrealized gains on private investments	6,599	7,375
Realized and unrealized gains on public and other investments	2,972	1,643
Total investment income	21,292	38,577
Investment-related expenses of Investment holding subsidiaries		
Transaction-related	(121)	(246)
Taxes	(140)	(60)
Financing	(208)	(120)
Total Investment-related expenses	(469)	(426)
Net investment income before dividends paid to CPPIB	20,823	38,151
Dividends paid to CPPIB	(3,668)	(5,675)
Total unrealized gains on investment holding subsidiaries	17,155	32,476

¹ Certain comparatives have been reclassified to conform to the current year's presentation.

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11. Operating Expenses

CPP's operating expenses are composed of costs incurred by various GoC departments (refer to Note 16) for the administration of the CPP's activities as well as CPPIB's operating expenses. CPPIB's personnel, general and administrative expenses are presented as operating expenses. Management fees, performance fees, transaction-related, taxes and financing are presented as investment-related expenses in Note 10.

Operating expenses are as follows, for the year ended March 31:

(in millions of dollars)	2023			2022		
	GoC	CPPIB	Total	GoC	CPPIB ¹	Total
Personnel related costs	425	1,038	1,463	425	1,013	1,438
Collection of contributions and investigation services	257	-	257	273	-	273
Information technology and data services	-	190	190	-	178	178
Program policy and delivery	159	-	159	153	-	153
Professional services	-	157	157	-	115	115
Amortization of premises and equipment	-	72	72	-	61	61
Premises and equipment	-	26	26	-	26	26
Travel and accommodation	-	23	23	-	6	6
Communications	-	19	19	-	20	20
Support services of the Social Security Tribunal	19	-	19	18	-	18
Cheque issue and computer services	4	-	4	6	-	6
Others	4	15	19	3	9	12
	868	1,540	2,408	878	1,428	2,306

¹ Certain comparatives have been reclassified to conform to the current year's presentation.

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12. Financial Sustainability of the Canada Pension Plan

As of January 1, 2019, the CPP has two components: the base and additional CPP. The CPP consisted only of the base CPP prior to 2019, and this component continues. The additional CPP is the new enhancement to the CPP as of 2019. Both the base and additional CPP are financed by contributions and investment returns. Employers and employees pay contributions equally to the base and additional CPP, and self-employed workers pay the full amount.

Base CPP

At the time of the Plan's inception in 1965, the demographic and economic conditions made pay-as-you-go financing appropriate. The pay-as-you-go financing, along with a small reserve equivalent to about two years' worth of expenditures, meant the pensions and benefits for one generation would be paid largely from the contributions of later generations. However, changing demographics and economic conditions over time led to increasing CPP costs, and by the mid-1990s the fall in the level of assets of the CPP resulted in a portion of the reserve being required to cover expenditures. Therefore, for the CPP benefit provisions to have remained unchanged, the contribution rate would have needed to be increased regularly.

As a result, the base CPP was amended in 1997 to restore its long-term financial sustainability and to improve fairness across generations. This was achieved by changing its financing approach from a pay-as-you-go basis to a form of partial funding called steady-state funding, along with incremental full funding rules for new or enhanced benefits, and by reducing the growth of benefits over the long term. In addition, a new investment policy was put in place, along with the creation of the CPPIB. Moreover, the statutory periodic reviews of the Plan by the federal and provincial governments were increased from once every five years to every three years.

Key among the 1997 changes were the introduction of self-sustaining provisions to safeguard the base CPP. In the event that the projected minimum contribution rate is greater than the legislated contribution rate and no recommendations are made by the Finance Ministers, the contribution rate would automatically increase and the indexation of the current benefits would be suspended.

The federal and provincial finance ministers took additional steps in 1999 to strengthen the transparency and accountability of actuarial reporting on the CPP by endorsing regular independent peer reviews of actuarial reports and consultations by the Chief Actuary with experts on the assumptions to be used in the actuarial reports.

Additional CPP

With the challenge facing younger generations of securing adequate retirement savings at a time when fewer can expect to work in jobs that will include a workplace pension plan, the federal and provincial governments agreed in 2016 to expand the CPP by creating the additional CPP. The additional CPP took effect on January 1, 2019.

In accordance with the *Canada Pension Plan*, the additional retirement, survivor, and disability benefits provided by the additional Plan are financed by additional contribution rates that are no lower than the rates that:

- i) are the lowest constant rates that can be maintained over the foreseeable future, and
- ii) result in projected revenues (contributions and investment income) that are sufficient to fully pay the projected expenditures of the additional CPP over the foreseeable future.

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The financing of the additional CPP is a result of the 1997 reforms to the Plan, specifically the requirement to fully fund any increased or new benefits. Similar to the base CPP, the Canada Pension Plan legislation includes self-sustaining provisions that provide for actions to be taken if the additional minimum contribution rates deviate significantly from their legislated values and no recommendations are made by the Finance Ministers. These actions are described in the *Additional Canada Pension Plan Sustainability Regulations*, which came into force on February 1, 2021. Since the additional minimum contribution rates from the most recent 31st Actuarial Report as at December 31, 2021 fall within the no action ranges, there is no impact on the financial statements as at March 31, 2023.

Triennial Actuarial Report

As stipulated in the *Canada Pension Plan*, an actuarial report is prepared by the Chief Actuary every three years. In addition, an actuarial report is prepared between triennial updates when there are any proposed legislative changes to the Plan that would in the opinion of the Chief Actuary materially affect the estimates in the most recent triennial report. The most recent triennial report, the 31st Actuarial Report on the CPP as at December 31, 2021, was tabled in Parliament on December 14, 2022.

The continuing and evolving impacts of the COVID-19 pandemic were worsened by the conflict in Ukraine, notably its escalation as of February 2022. These impacts included changing levels of inflation and volatility in the financial markets. The escalation of the conflict in Ukraine was considered to be a subsequent event for the purpose of the 31st CPP Actuarial Report since it started subsequent to the valuation date but before the date of the Report. There were no other events determined by the Chief Actuary to be subsequent events with material effects on the financial state of the CPP as projected in the 31st CPP Actuarial Report. The impacts of the subsequent event were considered and reflected during the preparation of the 31st CPP Actuarial Report as well as in the information disclosed in this note and Note 13. Therefore, no further changes are required as of March 31, 2023.

Given the legislative framework of the CPP, the next triennial report will be prepared as at December 31, 2024 and is expected to be tabled in Parliament in late 2025. The report will include updated data, experience, and demographic, economic, and investment assumptions.

A number of assumptions were used in the 31st CPP Actuarial Report to project the base and additional CPP's revenues and expenditures over the long projection period of over 75 years, and to determine the minimum contribution rates. The assumptions provided in the table below represent the best estimates according to the Chief Actuary's professional judgment relating to demographic, economic, investment and other factors; and have been peer reviewed by an independent panel of actuaries.

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Best-Estimate Assumptions

Canada	31 st Report (as at 31 December 2021)		30 th Report (as at 31 December 2018)	
Total Fertility Rate	1.54 (2029+)		1.62 (2027+)	
Mortality	Statistics Canada Life Tables (CLT 1-year table: 2019) with assumed future improvements		Statistics Canada Life Tables (CLT 3-year average table: 2014 – 2016) with assumed future improvements	
Canadian Life Expectancy at birth in 2022 at age 65 in 2022	Males 86.7 years 21.3 years	Females 90.0 years 23.8 years	Males ¹ 87.1 years 21.6 years	Females ¹ 90.1 years 24.0 years
Net Migration Rate	0.64% of population (for 2031+)		0.62% of population (for 2021+)	
Participation Rate (age group 18-69)	80.0%	(2035)	79.2%	(2035)
Employment Rate (age group 18-69)	75.3%	(2035)	74.4%	(2035)
Unemployment Rate (age group 18-69)	5.9%	(2027+)	6.0% ²	(2030+)
Rate of Increase in Prices	2.0%	(2026+)	2.0%	(2019+)
Real Wage Increase	0.9%	(2026+)	1.0%	(2025+)
Real Rate of Return (average 2022-2096)	Base CPP Assets	3.7%	4.0%	
	Additional CPP Assets	3.3%	3.5%	
Retirement Rates for Cohort at Age 60	Males	26.0% (2022+)	Males	27.0% (2021+)
	Females	28.0% (2022+)	Females	29.5% (2021+)
CPP Disability Incidence Rates (per 1,000 eligible)	Males	2.90 (2026+)	Males	2.97 (2019+) ³
	Females	3.60 (2026+)	Females	3.66(2019+) ³

1 The Canadian life expectancies of the 30th CPP Actuarial Report are shown for year 2022 in order to compare for the same year with the life expectancies of the 31st CPP Actuarial Report.

2 The unemployment rate assumption of the 30th CPP Actuarial Report has been adjusted to show the rate for the age group 18-69, in order to compare on the same basis with the assumptions of the 31st CPP Actuarial Report.

3 The ultimate disability incidence rates assumptions of the 30th CPP Actuarial Report have been adjusted based on the 2021 eligible population in order to compare on the same basis with the assumptions of the 31st CPP Actuarial Report.

According to the 31st CPP Actuarial Report, with the legislated contribution rate of 9.9% for the base CPP, total assets of the base CPP are projected to decrease in 2022 as a result of financial markets experience. Assets are then projected to increase, with the asset/expenditure ratio increasing from 8.1 to 8.4 between 2022 and 2030 and growing thereafter to values of 10.7 in 2050 and 13.2 in 2100.

The minimum contribution rate, which is the lowest rate to sustain the base CPP, is determined to be 9.56% of contributory earnings for years 2025 to 2033 and 9.54% for the year 2034 and thereafter (9.75% of contributory earnings for years 2022 to 2033 and 9.72% for years 2034 and thereafter in the 30th CPP Actuarial Report).

The partial funding nature of the base CPP means that contributions as opposed to investment income are the main source for financing base CPP expenditures. The 31st CPP Actuarial Report confirms that, based on the Chief Actuary's best-estimate assumptions, the current legislated contribution rate of 9.9% is higher than the minimum contribution rate needed to sustain the base CPP, and thus is sufficient to finance the base CPP over the long term. By 2030, investment income is expected to represent approximately 34% of revenues. Under the legislated contribution rate and the assumed average expected nominal return on base CPP assets of 4.1% over the period 2022 to 2030, total base CPP assets available for benefit payments are expected to grow to approximately \$791 billion by the end of 2030.

As at March 31, 2023, the value of base CPP assets available for benefit payments is \$549.5 billion (2022 – \$534.5 billion).

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For the additional CPP, the 31st CPP Actuarial Report projects that with the legislated first and second additional contribution rates of 2.0% for 2023 and thereafter and 8.0% for 2024 and thereafter, respectively, total additional CPP assets will increase rapidly over the first several decades as contributions are projected to exceed expenditures up until the year 2057 inclusively. Thereafter, a portion of investment income will make up the difference between contributions and expenditures. The ratio of assets to the following year's expenditures is projected to increase rapidly, reaching 89.8 in 2026, and is then projected to start decreasing thereafter, reaching a level of about 26 by 2080 and remaining close to that level for the years following up to 2100.

The first additional minimum contribution rate applicable to pensionable earnings between the Year's Basic Exemption and the Year's Maximum Pensionable Earnings is 1.97% for the year 2025 and thereafter. The second additional minimum contribution rate applicable to pensionable earnings above the Year's Maximum Pensionable Earnings up to the Year's Additional Maximum Pensionable Earnings is 7.88% for the year 2025 and thereafter. For the triennial review period 2022-2024, the phased-in legislated first additional contribution rate of 1.5% applies in 2022 followed by the legislated rate of 2.0% in 2023 and 2024. The legislated second additional contribution rate of 8.0% applies in 2024 which is the starting year of the second tier of the additional CPP.

The full funding nature of the additional CPP means that investment income as opposed to contributions is the main source for financing additional CPP expenditures. The 31st CPP Actuarial Report confirms that, on the basis of the Chief Actuary's best-estimate assumptions, the current legislated contribution rates of 2.0% for 2023 and thereafter and 8.0% for 2024 and thereafter are higher than the minimum contribution rates needed to sustain the additional CPP, and thus are sufficient to finance the additional CPP over the long term. By 2050, investment income is expected to represent approximately 61% of revenues. Under the current legislated contribution rates and the average expected nominal return on additional CPP assets of 3.6% over the period 2022 to 2030, total additional CPP assets available for benefit payments are expected to grow to approximately \$200 billion by the end of 2030.

As at March 31, 2023, the value of additional CPP assets available for benefit payments is \$24.4 billion (2022 - \$13.6 billion).

As at March 31, 2023, the value of total CPP assets available for benefit payments of \$573.9 billion (2022 - \$548.1 billion) represents approximately 8.7 times the 2024 planned expenditures of \$65.9 billion (2022 - 9.2 times the 2023 planned expenditures of \$59.3 billion).

Individual Sensitivity Tests

These tests are performed to measure the sensitivity of the long-term projected financial position of both components of the CPP to future changes in the demographic, economic, and investment environments. Key best-estimate demographic, economic, and investment assumptions were varied individually to measure the potential impacts on the financial state of both components of the CPP.

Lower-cost and higher-cost alternatives for three important assumptions are shown in the table below. For each test, the assumptions for the lower-cost and higher-cost alternatives were developed considering alternative assumed mortality improvement rates, real wage increases, and real rates of return. It is possible that a lower-cost test for the base CPP will be a higher-cost test for the additional CPP, and vice versa. This is the case, for example, for the tests regarding the real wage increase, described below.

		Lower-Cost		Best-Estimate		Higher-Cost	
Mortality (base and additional CPP):							
Canadian life expectancy at age 65 in 2050 with future improvements		Males	20.9	Males	23.1	Males	25.2
		Females	23.3	Females	25.4	Females	27.4
Real wage increase	Base CPP	1.5%		0.9%		0.3%	
	Additional CPP	0.3%		0.9%		1.5%	
Average real rate of return (2022-2096)	Base CPP	5.29%		3.69%		2.09%	
	Additional CPP	4.47%		3.27%		2.07%	

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The table below summarizes, for both the base and the additional CPP, the sensitivity results of the minimum contribution rates to the changes in mortality, real wage increase, and real rate of return on investments assumptions:

Assumption	Scenario	Base CPP	Additional CPP	
		Minimum Contribution Rate (%)	Minimum Contribution Rates (%)	
		2034+	First 2025+	Second 2025+
	Best Estimate	9.54	1.97	7.88
Mortality	Higher Mortality	9.17	1.79	7.16
	Lower Mortality	9.86	2.12	8.48
Real Wage Increase	Higher Wage Increase	9.26	2.18	8.72
	Lower Wage Increase	9.81	1.79	7.16
Real Rate of Return on Investments	Higher Real Return	7.89	1.38	5.52
	Lower Real Return	11.22	2.86	11.44

Mortality:

Mortality is a very important demographic assumption as it affects the length of the benefit payment period. Under the higher-cost scenario, mortality is assumed to improve at a faster pace than under the best-estimate scenario with the ultimate mortality improvement rates being doubled compared to their best estimate values. Under this scenario, the resulting mortality levels would be lower leading to increased life expectancies and thus higher minimum contribution rates for the base and additional CPP. The base CPP minimum contribution rate for 2034 and thereafter would increase to 9.86%, close to the base CPP legislated contribution rate of 9.9%. For the additional CPP the first and second additional minimum contribution rates would increase to 2.12% and 8.48%, respectively. These would be above the legislated rates of 2% and 8%, respectively.

On the other hand, under the lower cost scenario, mortality is assumed to improve at a slower rate than under the best estimate scenario, with ultimate values of the mortality improvement rates gradually reduced to 0% for all ages in 2039. Under this scenario, the resulting mortality levels would be higher leading to decreased life expectancies and thus lower minimum contribution rates for the base and additional CPP. The base CPP minimum contribution rate for years 2034 and thereafter would decrease to 9.17% while the first and second additional CPP minimum contribution rates would decrease to 1.79% and 7.16%, respectively.

Real Wage Increase:

Real wage increases directly affect the amount of future CPP contributions. Note that for this test, the opposite effects for the base and additional CPP are attributable to the different financing approaches. As a result of the different financing approaches, the base CPP is more dependent on contributions while the additional CPP is more dependent on investment income.

For the base CPP, if an ultimate real wage increase of 0.3% is assumed for 2026 and thereafter, the base CPP minimum contribution rate for years 2034 and thereafter would increase to 9.81%. On the other hand, for the additional CPP, under the same assumption, the first and second additional minimum contribution rates would decrease to 1.79% and 7.16%, respectively.

For the base CPP, if an ultimate real wage increase of 1.5% is assumed for 2026 and thereafter, the base CPP minimum contribution rate for years 2034 and thereafter would decrease to 9.26%. On the other hand, for the additional CPP, under the same assumption, the first and second additional minimum contribution rates would increase to 2.18% and 8.72%, respectively.

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Real Rate of Return:

Real rates of return can fluctuate greatly from year to year and can have a significant impact on the size of assets and on the ratio of assets to the following year expenditures.

If for the base CPP, the average real rate of return is assumed to be 2.09% instead of 3.69% over the next 75 years (2022 to 2096), then the base CPP minimum contribution rate for years 2034 and thereafter will increase to 11.22%. For the additional CPP, if the average real rate of return is assumed to be 2.07% instead of 3.27% over the same period, then the first and second additional minimum contribution rates increase to 2.86% and 11.44%, respectively.

However, if for the base CPP, the average real rate of return is assumed to be 5.29% instead of 3.69% over the next 75 years, then the base CPP minimum contribution rate decreases to 7.89%. For the additional CPP, if the average assumed real rate of return over the same period is 4.47% instead of 3.27%, then the first and second additional minimum contribution rates decrease to 1.38% and 5.52%, respectively.

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13. Actuarial Obligations in Respect of Benefits

The 31st CPP Actuarial Report is a triennial report that measures the actuarial obligations of both the base and additional CPP under an open group approach, which is consistent with the funding nature of both components. It also provides information under a closed group approach, in footnotes. The open group approach takes into consideration all current and future participants of the CPP, including their future contributions and associated benefits, to determine whether current assets and future contributions will be sufficient to pay for all future expenditures. The closed group approach includes only current participants of the CPP, with no new entrants permitted and no new benefits accrued.

The choice of the methodology used to produce a social security system's balance sheet is mainly determined by the system's financing approach. Partially funded plans like the base CPP represent a social contract where, in any given year, current contributors allow the use of their contributions to pay current beneficiaries' benefits. This social contract creates claims for current and past contributors to contributions of future contributors. As such, the proper assessment of the financial sustainability of partially funded plans by means of their balance sheets should reflect these claims. The open group approach does account explicitly for these claims by considering the benefits and contributions of both the current and future plan participants. In comparison, the closed group methodology does not reflect these claims since only current participants are considered. The legislated methodologies to determine the steady-state and incremental full funding contribution rates of the base CPP are based on the open group approach (in accordance with the *Calculation of Contribution Rates Regulations, 2021*)

The determination of the additional minimum contribution rates (in accordance with the *Calculation of Contribution Rates Regulations, 2021*) also requires the use of an open group approach. Since the open group methodology is based on projections of future income and expenditures, the requirement of the additional CPP open group assets to be at least 100% of its open group actuarial obligations ensures that, at the valuation date, the projected additional contributions and investment income are sufficient to cover the projected additional expenditures over the long term.

To determine the base and additional CPP actuarial obligations under the open group approach and legislated contribution rates, the base and additional CPP's revenues and expenditures were projected using the assumptions of the 31st CPP Actuarial Report shown in Note 12. The projection period longer than 75 years that is used to calculate the minimum contribution rates is necessary to ensure that the future expenditures for cohorts that will enter the labour force during that time are included in the liabilities. The present values of the assets and obligations of the base CPP and additional CPP are determined using a discount rate equal to the assumed nominal rates of return on the base CPP and additional CPP assets, respectively.

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Base CPP:

The table below presents the asset excess (shortfall) and the assets to actuarial obligations ratio of the base CPP under open and closed group approaches at valuation dates of the current and previous actuarial reports with the legislated contribution rate of 9.9%:

(in billions of dollars)	31 st Actuarial Report as at December 31, 2021		30 th Actuarial Report as at December 31, 2018	
	Open Group	Closed Group	Open Group	Closed Group
Assets ¹	3,583.4	543.7	2,691.1	371.7
Actuarial obligations ²	3,523.0	1,686.1	2,674.4	1,257.1
Asset excess (shortfall)	60.4	(1,142.4)	16.7	(885.4)
Assets to actuarial obligations ratio	101.7%	32.2%	100.6%	29.6%

¹ Includes only current assets for the closed group but also includes future contributions for the open group.

² Obligations include operating expenses.

The base CPP was never intended to be a fully funded plan and the financial sustainability of the base CPP is not assessed based on its actuarial obligations in respect of benefits. According to the 31st CPP Actuarial Report, the CPP is intended to be long-term and enduring in nature, a fact that is reinforced by the federal and provincial governments' joint stewardship through the established strong governance and accountability framework of the CPP. Therefore, if the base CPP's financial sustainability is to be measured based on its asset excess or shortfall, it should be done on an open group basis that reflects the partially funded nature of the base CPP, that is, its reliance on both future contributions and invested assets as a means of financing its future expenditures.

Additional CPP:

For the additional CPP, with the first and second legislated contribution rates of 2.0% and 8.0%, respectively, the table below presents the asset excess (shortfall) and the assets to actuarial obligations ratio under open and closed group approaches at the valuation date:

(in billions of dollars)	31 st Actuarial Report as at December 31, 2021		30 th Actuarial Report as at January 1 2019 ¹	
	Open Group	Closed Group	Open Group	Closed Group
Assets ²	913.7	11.0	740.3	-
Actuarial obligations ³	856.5	12.2	686.6	-
Asset excess (shortfall)	57.2	(1.2)	53.7	-
Assets to actuarial obligations ratio	106.7%	90.2%	107.8%	N/A ⁴

¹ Commencement date of the additional CPP and the measurement date for the 30th Actuarial Report.

² Includes only current assets for the closed group but also includes future contributions for the open group.

³ Obligations include operating expenses.

⁴ As at December 31, 2018, under the closed group approach, the actuarial obligations, assets, and assets excess/shortfall of the additional CPP are all \$0.

Using the open group approach, the Chief Actuary confirms that both the base CPP and additional CPP, based on the best-estimate assumptions selected and under the legislative contribution rates, will continue to meet their financial obligations and are sustainable in the long term.

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14. Contractual Obligations and Commitments

The nature of CPP's and CPPIB's activities can result in some large multi-year contracts and agreements whereby the CPP and CPPIB will be obligated to make future payments in order to carry out its activities.

Operating costs are charged to the CPP in accordance with various memoranda of understanding (MoU) between the CPP and various GoC departments for the administration of the CPP's activities (refer to Note 16). The MoUs require written notice of termination at least one year before the termination date. Therefore, as at March 31, 2023, the operating costs of \$816 million (2022 - \$856 million) are an estimation of the costs, based on the MoUs, that will be charged to the CPP Accounts in the next fiscal year. Operating costs are expected to continue to be charged to the CPP Accounts in the upcoming fiscal years, but cannot be reasonably estimated beyond one year.

The CPP, through CPPIB, has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at March 31, 2023, the unfunded commitments for CPPIB and its investment holding subsidiaries totalled \$1,160 million (2022 – \$1,083 million) and \$60,187 million (2022 - \$54,064 million), respectively.

15. Contingent Liabilities

a) *Appeals relating to the payment of pensions and benefits*

At March 31, 2023, there were 5,968 appeals (2022 – 6,432) relating to the payment of CPP disability pensions. These contingencies are reasonably estimated, using historical information, at an amount of \$52.7 million (2022 – \$53.9 million), and have been recorded as an accrued liability in these consolidated financial statements.

b) *Other claims and legal proceedings*

In the normal course of operations, the CPP is involved in various claims and legal proceedings. The total amount claimed in these actions and their outcomes are not determinable at this time. The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. No such allowance was recognized in the consolidated financial statements for the 2022-23 and 2021-22 fiscal years for these claims and legal proceedings.

c) *Guarantees*

As part of certain investment transactions, the CPP, through CPPIB and its investment holding subsidiaries, agreed to guarantee, as at March 31, 2023, up to \$366 million (2022 – \$408 million) and \$7,052 million (2022 - \$7,215 million), respectively, to other counterparties in the event certain investee entities default under the terms of loan and other related agreements, or fail to perform under specified non-financial contractual obligations.

d) *Indemnifications*

The CPP, through CPPIB, provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. CPPIB may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws, regulations and litigation claims. The contingent nature of these indemnification agreements prevents CPPIB from making a reasonable estimate of the maximum potential payments CPPIB could be required to make. To date, CPPIB has not received any material claims nor made any material payments pursuant to such indemnifications.

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16. Related Party Transactions

The CPP enters into transactions with the GoC in the normal course of business, which are recorded at the exchange value. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with various memoranda of understanding (MoU). Details of these transactions are provided in the GoC operating expenses in Note 11 and contractual obligations in Note 14.

Expenses for the year are comprised of the following, for the year ended March 31:

	2023	2022
	(in millions of dollars)	
Employment and Social Development Canada Program policy and delivery	539	546
Canada Revenue Agency Collection of contributions and investigation services	257	273
Treasury Board Secretariat Health Insurance Plan	45	32
Administrative Tribunals Support Service of Canada Support services of the Social Security Tribunal	19	18
Public Services and Procurement Canada Cheque issue and computer services	4	6
Office of the Superintendent of Financial Institutions and Department of Finance Actuarial and other services	4	3
	868	878

The CPP receives audit services without charge from the Office of the Auditor General of Canada. The value of these audit services is not material for the purpose of these consolidated financial statements and has not been recorded.

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17. Supplementary Information

The administration of the CPP is shared between various GoC departments. The GoC transfers to CPPIB amounts that are not immediately needed to pay CPP pensions, benefits and operating expenses, and CPPIB invests those amounts. The GoC, through various federal departments, manages the remainder of the assets, as well as the collection of the CPP contributions and the administration and payments of the CPP benefits.

For accountability purposes, the following tables present summary information on the levels of assets and liabilities and sources of income and expenses managed by the GoC and CPPIB broken out by the base CPP and additional CPP respectively. CPPIB's expenses are presented as investment-related expenses (refer to Note 10) and operating expenses (refer to Note 11).

As at March 31, 2023							
(in millions of dollars)	GoC	Base CPP CPPIB	Total	Additional CPP GoC	CPPIB	Total	CPP Total
Financial assets and liabilities							
Cash	276	183	459	30	6	36	495
Receivables	3,789	38	3,827	613	1	614	4,441
Net investments	-	546,432	546,432	-	23,864	23,864	570,296
Other assets	-	8	8	-	1	1	9
Payables and accrued liabilities	(763)	(1,018)	(1,781)	(44)	(44)	(88)	(1,869)
	3,302	545,643	548,945	599	23,828	24,427	573,372
Non-financial assets	-	555	555	-	16	16	571
Assets available for benefit payments	3,302	546,198	549,500	599	23,844	24,443	573,943

For the year ended March 31, 2023							
(in millions of dollars)	GoC	Base CPP CPPIB	Total	Additional CPP GoC	CPPIB	Total	CPP Total
Revenues							
Contributions	64,009	-	64,009	10,837	-	10,837	74,846
Net investment income							
Investment income	9	11,518	11,527	2	431	433	11,960
Investment-related expenses	-	(2,516)	(2,516)	-	(62)	(62)	(2,578)
	64,018	9,002	73,020	10,839	369	11,208	84,228
Expenses							
Pensions and benefits	(55,876)	-	(55,876)	(79)	-	(79)	(55,955)
Operating expenses	(622)	(1,502)	(2,124)	(246)	(38)	(284)	(2,408)
	(56,498)	(1,502)	(58,000)	(325)	(38)	(363)	(58,363)
Net Increase in assets available for benefit payments	7,520	7,500	15,020	10,514	331	10,845	25,865

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(in millions of dollars)	As at March 31, 2022						
	Base CPP			Additional CPP			CPP Total
	GoC	CPPIB	Total	GoC	CPPIB	Total	
Financial assets and liabilities							
Cash	78	297	375	23	6	29	404
Receivables	8,382	38	8,420	1,024	-	1,024	9,444
Net investments	-	526,752	526,752	-	12,614	12,614	539,366
Payables and accrued liabilities	(674)	(877)	(1,551)	(66)	(15)	(81)	(1,632)
	7,786	526,210	533,996	981	12,605	13,586	547,582
Non-financial assets	-	484	484	-	12	12	496
Assets available for benefit payments	7,786	526,694	534,480	981	12,617	13,598	548,078

(in millions of dollars)	For the year ended March 31, 2022						
	Base CPP			Additional CPP			CPP Total
	GoC	CPPIB	Total	GoC	CPPIB	Total	
Revenues							
Contributions	57,724	-	57,724	6,916	-	6,916	64,640
Net investment income							
Investment income	1	36,145	36,146	-	173	173	36,319
Investment-related expenses	-	(469)	(469)	-	(6)	(6)	(475)
	57,725	35,676	93,401	6,916	167	7,083	100,484
Expenses							
Pensions and benefits	(52,889)	-	(52,889)	(39)	-	(39)	(52,928)
Operating expenses	(697)	(1,408)	(2,105)	(181)	(20)	(201)	(2,306)
	(53,586)	(1,408)	(54,994)	(220)	(20)	(240)	(55,234)
Net increase in assets available for benefit payments	4,139	34,268	38,407	6,696	147	6,843	45,250

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Pursuant to Section 108.1 and 108.3 of the *Canada Pension Plan* and the Agreement dated as of April 1, 2004, amounts not required to meet specified obligations of the CPP are transferred weekly to CPPIB. The funds originate from employer and employee contributions to the CPP and interest income generated from the deposit with the Receiver General.

CPPIB remits cash to the CPP as required, including the periodic return, on at least a monthly basis, of funds required to meet CPP pensions, benefits and operating expenses obligations.

The accumulated transfers to/from CPPIB, since inception, are as follows:

	2023		
(in millions of dollars)	Base CPP	Additional CPP	Total
Accumulated transfers to CPPIB, beginning of year	656,354	12,047	668,401
Transfers of funds to CPPIB	55,702	10,896	66,598
Accumulated transfers to CPPIB, end of year	712,056	22,943	734,999
Accumulated transfers from CPPIB, beginning of year	(507,170)	-	(507,170)
Transfers of funds from CPPIB	(43,698)	-	(43,698)
Accumulated transfers from CPPIB, end of year	(550,868)	-	(550,868)
Net accumulated transfers to CPPIB	161,188	22,943	184,131

	2022		
(in millions of dollars)	Base CPP	Additional CPP	Total
Accumulated transfers to CPPIB, beginning of year	613,349	5,857	619,206
Transfers of funds to CPPIB	43,005	6,190	49,195
Accumulated transfers to CPPIB, end of year	656,354	12,047	668,401
Accumulated transfers from CPPIB, beginning of year	(465,684)	-	(465,684)
Transfers of funds from CPPIB	(41,486)	-	(41,486)
Accumulated transfers from CPPIB, end of year	(507,170)	-	(507,170)
Net accumulated transfers to CPPIB	149,184	12,047	161,231