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INDONESIA PENSION CONFERENCE

25 YEARS OF PENSION SAVINGS

“Way Forward for Next Quarter Century”

25-26 April 2017
Grand Hyatt Hotel, Jakarta



CANADIAN PENSION FUND MODEL



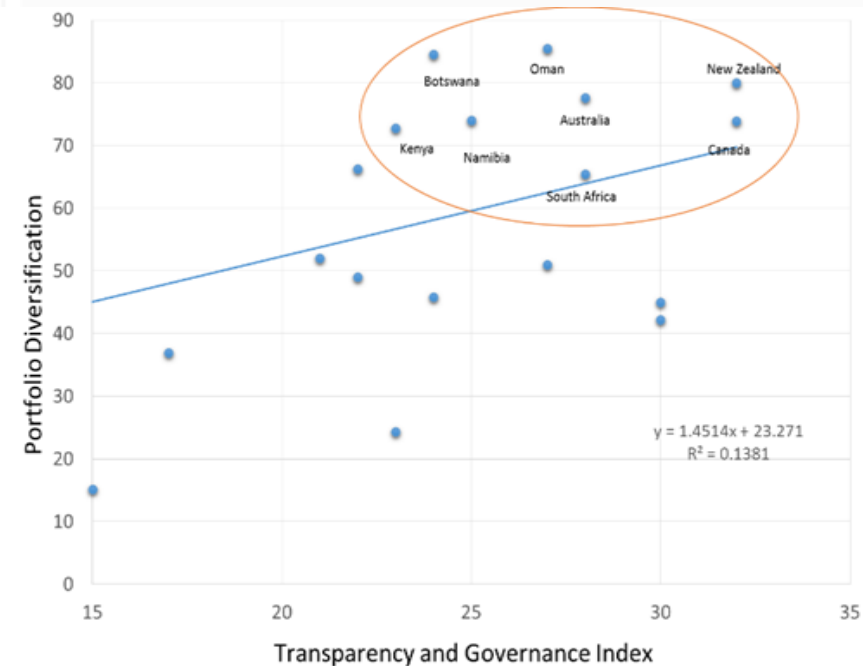
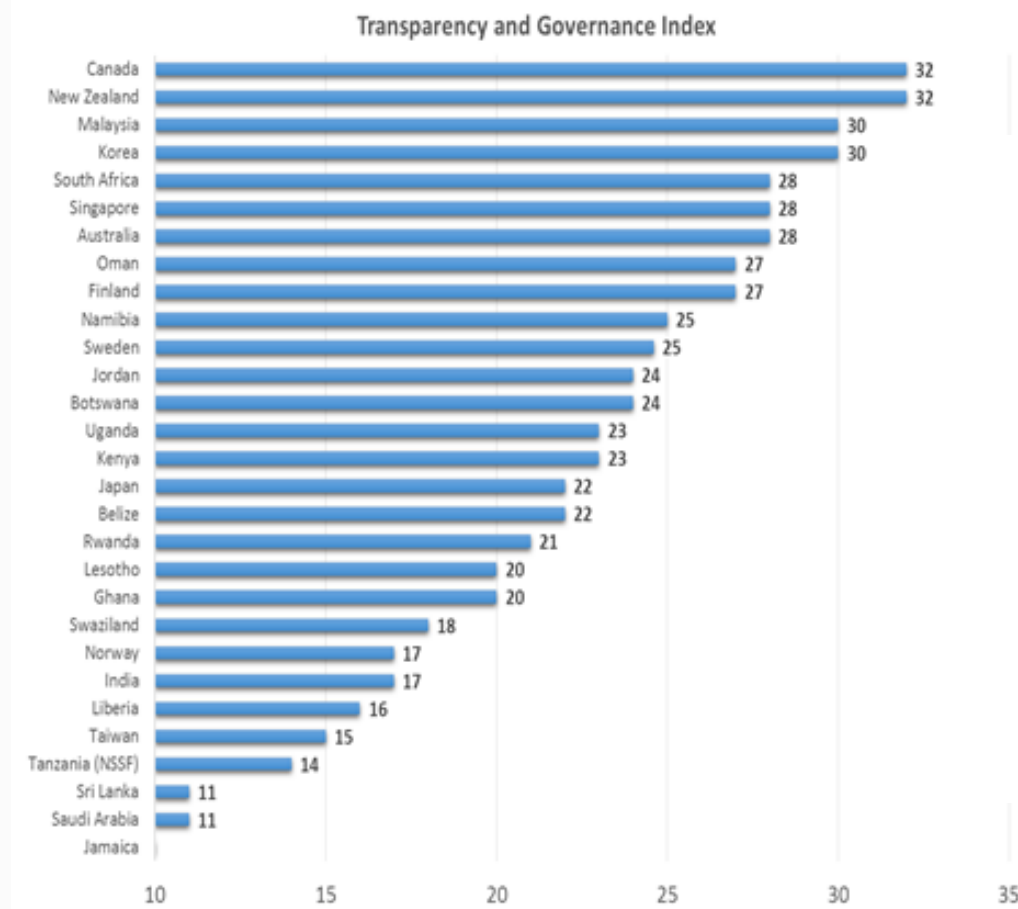
Fiona Stewart

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CANADIAN FUNDS WIDELY RECOGNIZED AS GLOBAL LEADERS



CANADIAN PENSION FUND MODEL

A Canadian public pension plan or public pension asset manager that is typically defined-benefit or target-benefit, has a public-sector sponsor or sponsors + following characteristics:

- **Governance** – the funds operate at arm's length of governments and sponsors and are overseen by independent boards with strong accountability and transparency frameworks
- **Scale** – assets under management exceeding \$10 billion and are often significantly higher
- **In-house management by professionals** – a significant portion of investment management and/or pension administration is performed by in-house professionals who receive competitive compensation
- **Diversification** – the funds' investments are highly diversified by both geography and asset class, including a significant allocation to alternative asset classes such as real estate, private equity, and/or infrastructure, and significant direct investments in such asset classes
- **Talent** – the ability to attract and retain top talent at both the board and management
- **Long time horizon** – long-term investors able to withstand market volatility



FOUR-PHASE FRAMEWORK FOR THE EVOLUTION OF PENSION ORGANIZATIONS

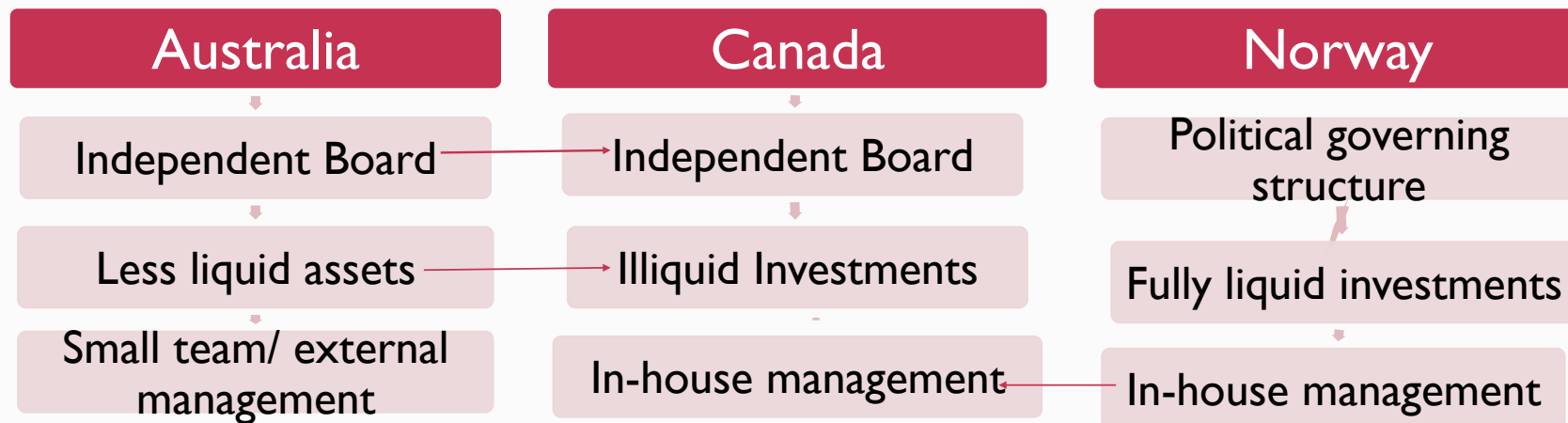


PRINCIPLES OF CANADIAN MODEL

Governance	<ul style="list-style-type: none"> • Independence in both the structure and day-to-day operations of the organization • Accountability and transparency • People of top talent and integrity involved from the outset
Administration	<ul style="list-style-type: none"> • Client / member-focused orientation • Use modern technology, with high-quality data and robust security • High-quality communications and education
Investments	<ul style="list-style-type: none"> • Clear, long-term goal / mandate • Deep understanding of comparative advantage informs investment strategy and organization • It's not just about achieving returns – managing risk and liabilities are also critical
Plan design + funding	<ul style="list-style-type: none"> • Reasonable assumptions and discount rates • Risk-sharing and prudent management of deficits and surpluses • Stable membership with adequate contribution rates and manageable demographics
Regulation/ Public Policy Environment	<ul style="list-style-type: none"> • Pension funds earn trust and autonomy over time through their track record and dialogue with governments / regulators, avoiding the need for highly prescriptive investment regulations • Ensure a robust regulatory regime around public-sector pensions (similar to private pensions) • Encourage good governance as a supplement to strong regulations and supervision
Organization + People	<ul style="list-style-type: none"> • Competitive pay • People of top talent and integrity • High-performance culture

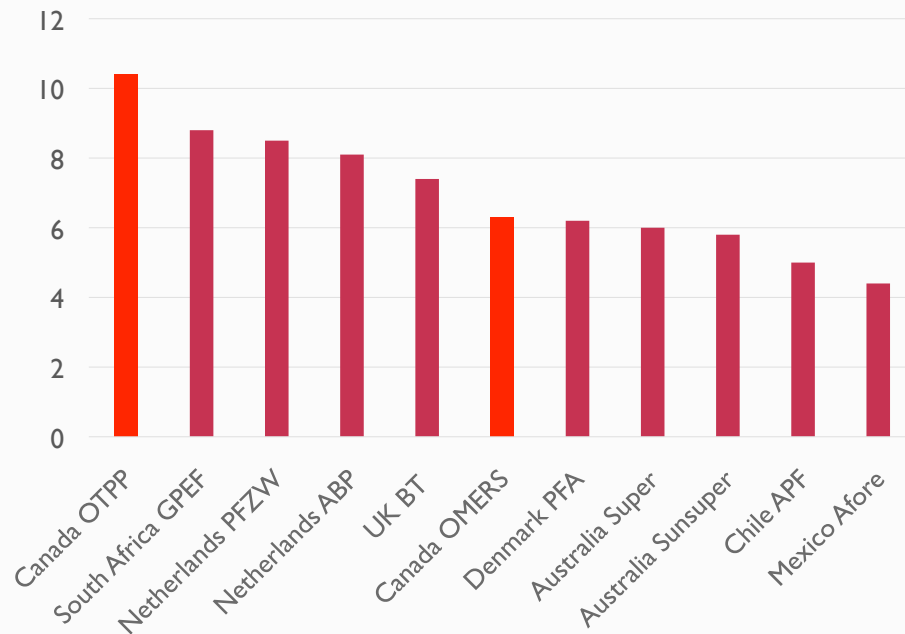


COMPARISON OF MODELS



CANADIAN FUNDS VS. PEERS

5 year Real Return (2014) Selected Large Pension Funds



5 year Real Return (2014) Selected Pension Reserve Funds

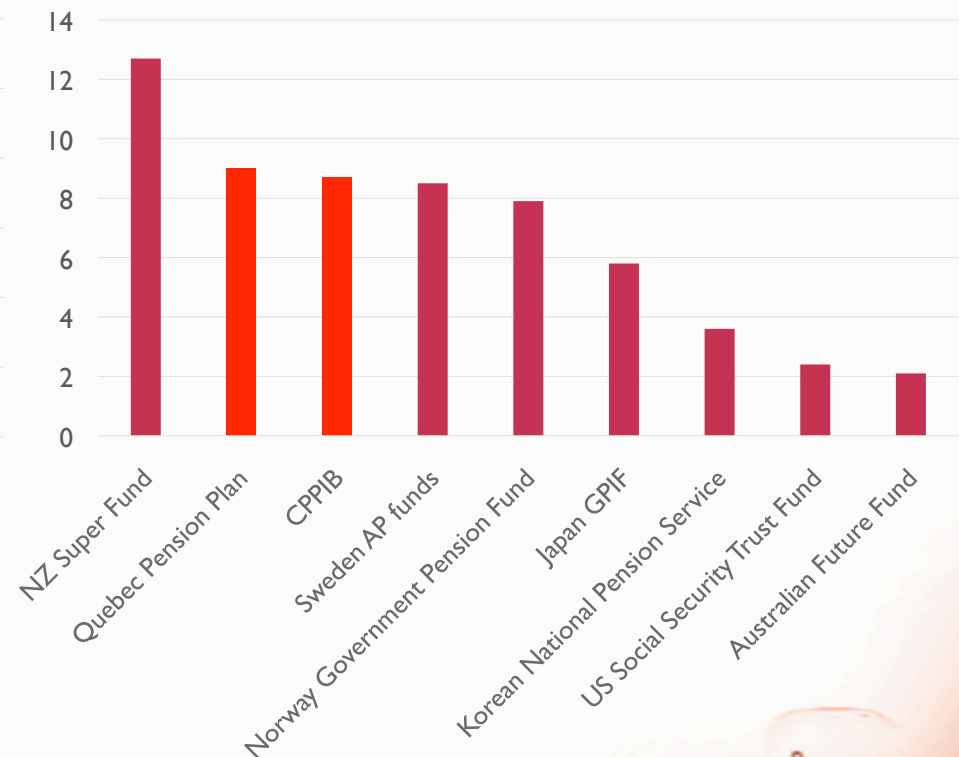


Figure 10. Asset allocation of PPRFs – actual 2014

As a percentage of total investment

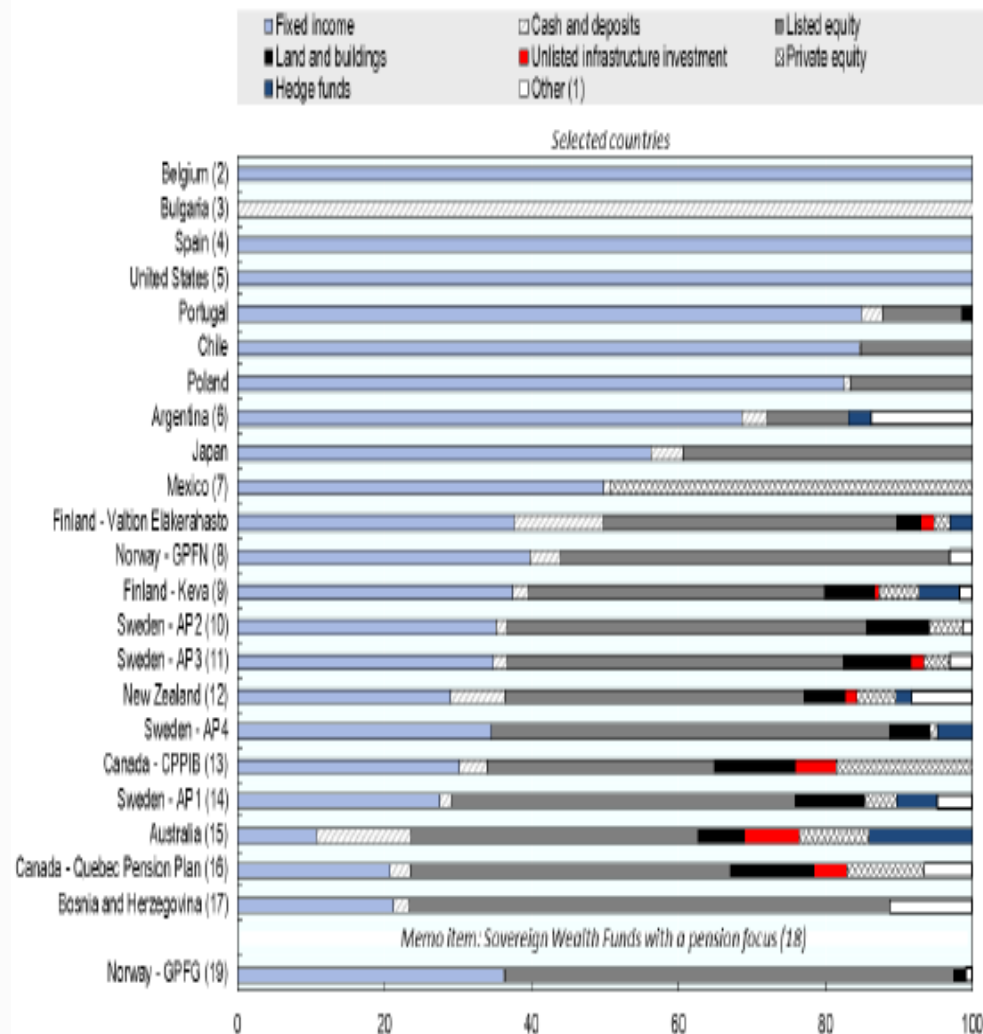
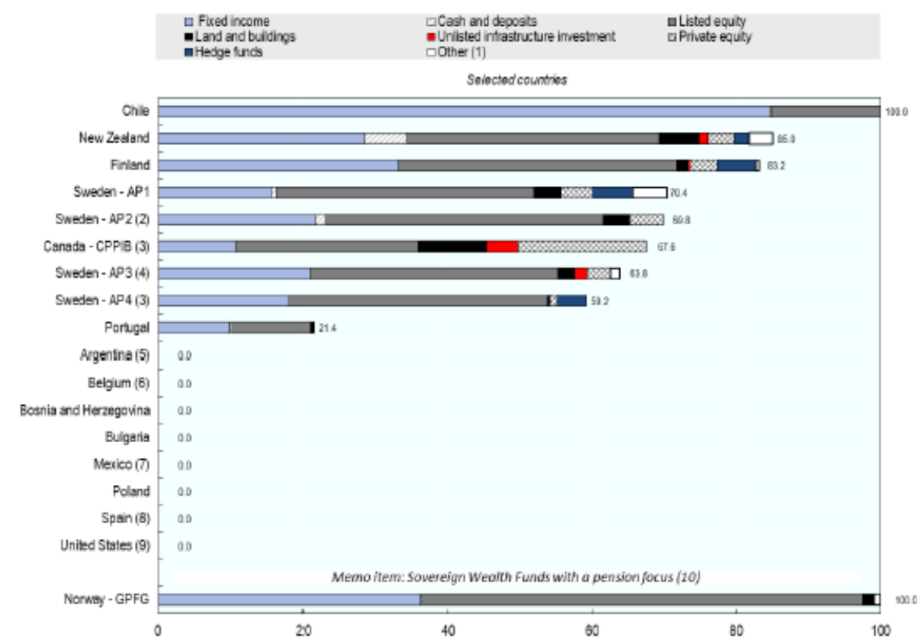


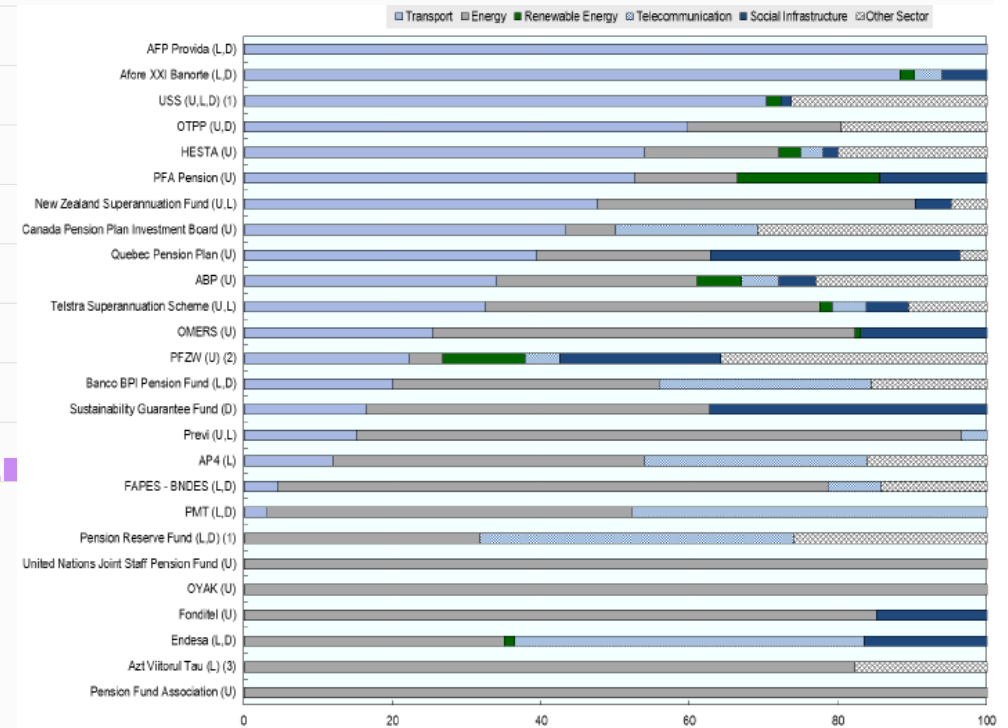
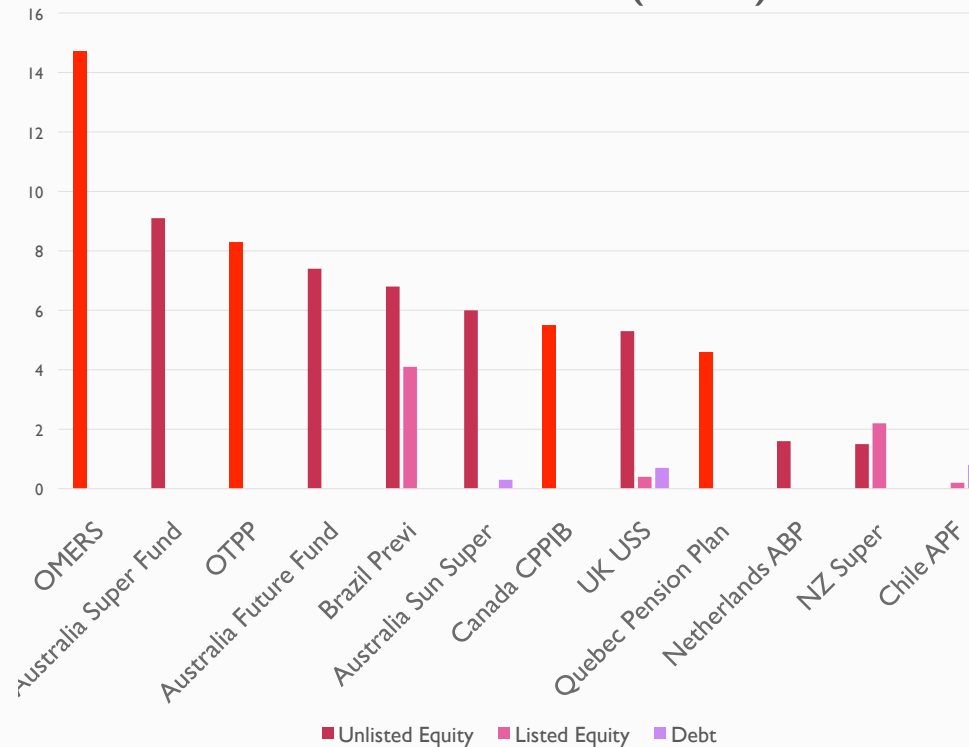
Figure 11. Foreign investment by asset class in selected PPRFs in 2014

As a percentage of total (i.e. domestic and foreign) investment

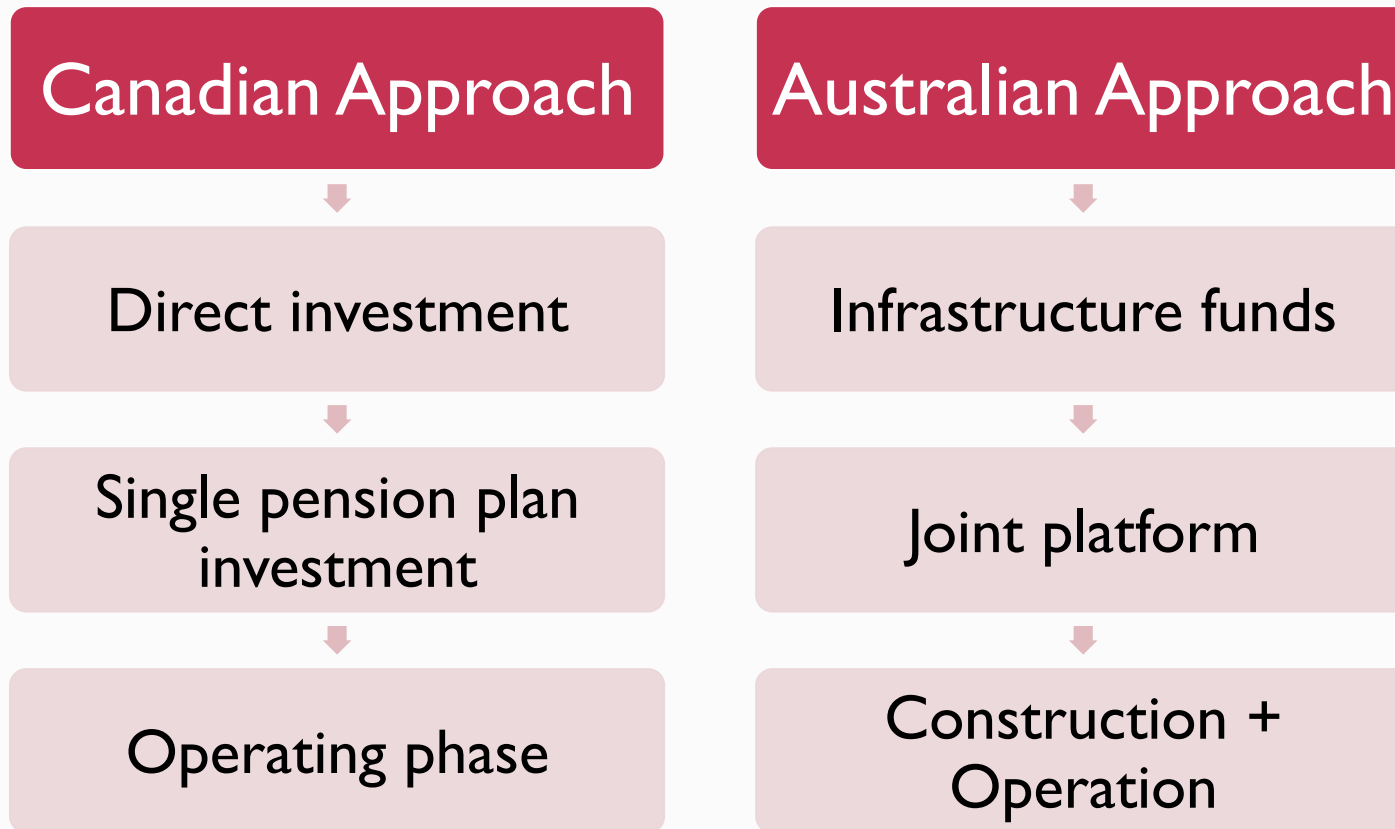


CANADIAN INFRASTRUCTURE INVESTMENT

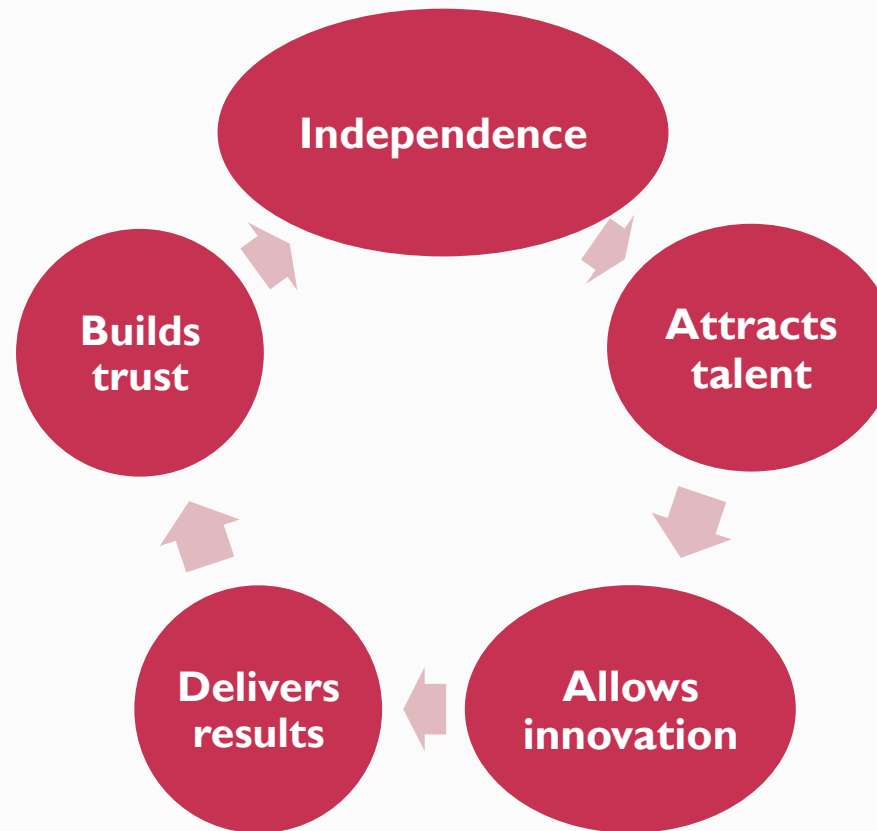
Infrastructure Allocation Selected Large Pension and Reserve Fund 2014 (% AUM)



CANADIAN VS. AUSTRALIAN APPROACH TO INFRASTRUCTURE INVESTING



PRACTICAL LESSONS LEARNED FROM THE CANADIAN EXPERIENCE



FURTHER READING

- Rozanov, R., (2017), “Public Sector Investment Funds: How the Best-in-Breed Evolved”, *Columbia University Program on Public Pension and Sovereign Funds, Working Paper No. 1*
<https://www8.gsb.columbia.edu/cjeb/sites/cjeb/files/WP%20%231.Andrew%20Rozanov.Public%20Sector%20Investment%20Funds.pdf>
- Inderst, G. and R. Della Croce (2013), “Pension Fund Investment in Infrastructure: A Comparison Between Australia and Canada”, *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 32
<http://dx.doi.org/10.1787/5k43f5dv3mhf-en>

