CPP INVESTMENT BOARD

Written Statement of the
Canada Pension Plan Investment Board (CPPIB)

before the

House Financial Services Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises, and Subcommittee on Domestic and International Monetary Policy, Trade, and Technology

March 5, 2008

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The Canada Pension Plan Investment Board

I. Introduction to CPPIB

The Canada Pension Plan Investment Board ("CPPIB") is an asset management organization that was created by Federal Act of Parliament in December 1997 (the *Canada Pension Plan Investment Board Act*) as an independent entity to invest and maximize the rate of return on the assets of the Canada Pension Plan ("CPP") without undue risk of loss. The CPP is a mandatory contributory defined benefit pension plan operated for the benefit of over 17 million Canadian contributors and beneficiaries. All Canadian employers and employees, except for those in the Province of Québec, make mandatory contributions to the CPP. CPPIB's assets were valued at C$119.4 billion (or US$121.1 billion) as of December 31, 2007, and are projected to grow to over C$312 billion by 2019.

The CPPIB is not a government-controlled entity. Although the CPPIB was created and is owned by the Canadian Federal government, its governance structure was carefully designed to prevent political interference. Our founding legislation specifies that we operate at arm's length from governments, and in accordance with a legislated investment-only, fiduciary mandate. Our investment decisions are not influenced by government direction, regional, social or economic development considerations, or any other non-investment objectives. Independent directors are appointed for three year terms, which can be renewed twice, and can only be removed for cause. We accompany our observance of these features with a high degree of transparency, much of which is also mandated by our legislation, including reporting to the public like a Canadian public company. CPPIB is not a sovereign wealth fund, and instead is internationally recognized for its independence from government influence.[1]

II. Canada's Retirement Income System

Canadians' retirement security is based on three key elements: the Old Age Security (OAS) program, the CPP and tax-deferred private savings.

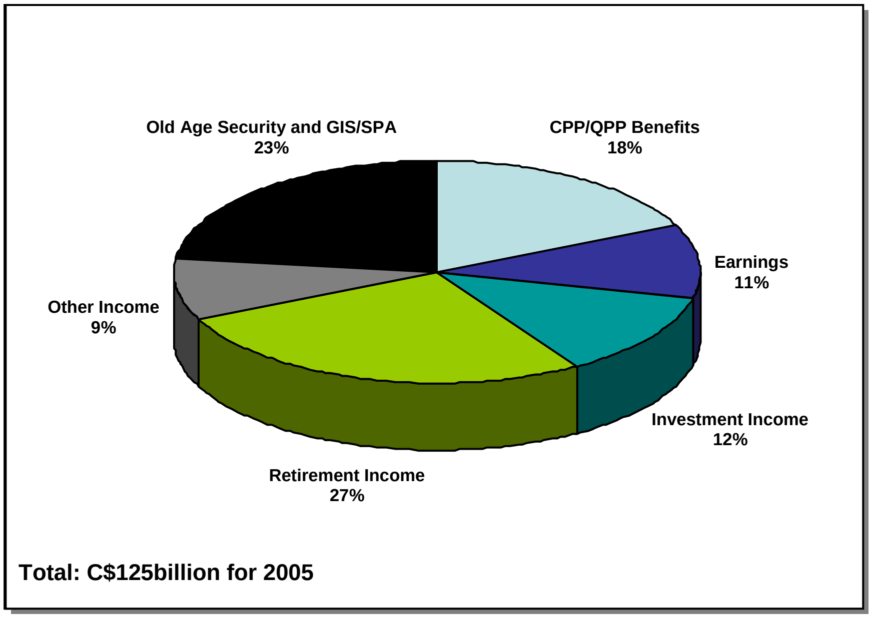
- Old Age Security (including the Guaranteed Income Supplement (GIS)) provides a minimum income for seniors, regardless of work history. It is publicly funded from government revenue.

- The CPP is a defined plan providing pension disability and survivor benefits. It is funded by mandatory contributions made jointly by working Canadians and their employers. The CPPIB invests contributions not immediately required to pay benefits; the CPPIB has no role in the Old Age Security Program. CPP funding is not part of general government revenues.

[1] See Directorate for Financial and Enterprise Affairs, Insurance and Private Pensions Committee, Working Party on Private Pensions, *OECD Seminar on Sovereign and Public Pension Reserve Funds – Sovereign Wealth & Pension Reserve Fund Issues*, copy of draft (subject to further revision) attached, at paras. 5.2(i) and 40. See also the notes for remarks by Gail Cook-Bennett, Chair of CPPIB, copy attached.

- Employer-sponsored pension plans (where offered) and individual tax-sheltered retirement investment accounts represent two examples of tax-deferred private savings.

Sources of Retirement Income in Canada



Source: Canada Revenue Agency Statistics for years 1999 to 2005

III. About the Canada Pension Plan (CPP)

The CPP was established in 1966 as a 'pay-as-you-go' plan funded by compulsory contributions made jointly by employees (including the self-employed) and employers, and is administered by the federal government on behalf of nine Canadian provinces. The current contribution rate is 9.9% of earnings to a yearly maximum income (C$44,900 in 2008). Revenues and expenditures for the plan are segregated from general government accounts, and the sponsors of the plan, Canada's federal and provincial governments, have no liability for the plan's funding.

The CPP retirement benefit is modest (maximum available in 2008 is C$10,614/year) and, as noted above, was designed to be one component of Canadians' retirement income. Retirement benefits comprise approximately 70% of plan expenditures; disability, survivor and children's benefits, and a lump-sum death benefit to the estate are also paid.

IV. CPP Reforms

In 1996, the CPP paid out more in benefits (C$17 billion) than it received in contributions (C$11 billion). An actuarial report projected the plan's small contingency reserve would be exhausted by 2015. It predicted that a contribution rate of more than 14% would be necessary by 2030, effectively forcing future generations to fund current pension obligations.

Contributing factors driving change included:

- Changing demographics (aging of the baby boom generation);
- A succession of benefit enhancements;
- Slow growth of investment earnings from the fund; and slow growth in contributory earnings; and
- Higher benefit payments for disabilities.

In February, 1997, the provinces and the Federal government reached agreement on major reforms to the CPP, based on the following key steps:

- Modest reductions in future benefits;
- Change from 'pay-as-you-go' model to partial pre-funding with an accelerated increase in the contribution rate from 5.6 to 9.9 per cent in six years– an increase of almost 80 per cent in less than half the original timetable – in order to create a sizeable reserve fund;
- The creation of the Canada Pension Plan Investment Board to manage this fund for the benefit of over 17 million Canadian contributors and beneficiaries; and
- Segregation of the CPP assets from government assets and revenues.

V. CPPIB Governance

The CPP reforms of the mid-1990s were the result of an intensive public consultation process undertaken by the Federal and Provincial governments.

Through this process, Canadians made it clear that while they were willing to accept a higher contribution rate, they were distrustful of leaving their pension funds under political control. Plan participants felt that government influence on investment decisionmaking could lead to poor investment performance, and that they would suffer the consequences through higher contribution rates and/or lower benefits.

Since they were bearing the ultimate risk of higher contributions or lower benefits, Canadians set out the terms of the fundamental risk-sharing arrangement, as follows: They would consent to the benefit reductions and the contribution increases, provided that government would consent to a governance model that provided for a professional investment organization operating at arm's length, according to a purely fiduciary-driven commercial mandate.

This was the defining moment in the reforms of the CPP and the creation of the governance model for the CPP Investment Board.

Ensuring that the investment process remained at arm's length and independent from governments became an essential and closely scrutinized feature of the CPPIB governance structure.

This independence was then balanced against the need for sufficient accountability to governments – which are the effective agents of the CPP participants - to allow people to determine if CPP assets are being profitably and prudently managed for the exclusive benefit of plan participants.

To this end, the reformers created a "maximum-strength" governance model designed to strike a balance between independence and accountability, and they gave CPPIB a clear and singular mandate to achieve a "maximize rate of return without undue risk of loss."

The CPPIB's distinct governance model balances its arm's length relationship with governments with strong public accountability. The model is set out in *The Canada Pension Plan Investment Board Act*, which is the legislation governing the CPPIB.

Amending Formula

As an indication of the lengths pursued by the reformers to protect the CPPIB from political interference, this law includes an extraordinary provision. It can only be amended by a consensus of the Federal government and *at least* two-thirds of the participating provinces representing two-thirds of the population. This is an even higher level of consensus than that required to amend Canada's Constitution.

Independence from Government

The independence of the Board of Directors from government is an important feature of the CPPIB. Following are some of the key features of the CPPIB governance model:

- Management of the CPPIB reports not to government but to an independent board of highly qualified directors.

- Directors of the CPPIB are selected by the Federal government, in consultation with participating Provincial governments, from a list of qualified candidates provided by a joint Federal-Provincial nominating committee with private-sector involvement.

- As required by the CPPIB Act, the nominating process is designed to ensure that the board has directors with proven financial ability or relevant work experience so that the CPPIB will be able to effectively achieve its investment mission including overseeing a growing and complex organization with approximately $120 billion in assets under management.

- The board of directors, not government, approves investment policies, determines with management the organization's strategic direction and makes critical operational decisions such as hiring the Chief Executive Officer and determining executive compensation.

- The CEO, in turn, hires and leads the management team, including the investment professionals who make portfolio decisions within investment policies agreed to by the board of directors.

- The composition of the board and the amending formula for the legislation keep the operations of the CPPIB independent from the actions of government.

- A stringent code of conduct stipulates that any attempts by government to influence our investment decisions, hiring practices or procurement must be appropriately escalated within the organization in order to determine what appropriate action should be taken.

To be clear, the CPPIB does not submit its investment strategy or business plans for government approval; does not have government officials sitting on its board; and does not submit its compensation policies or pay levels for government approval.

VI. Public Accountability through Transparency

The CPPIB's governing legislation requires a high level of transparency to help ensure public accountability. The legislation mandates quarterly detailed public reporting and the production of our annual report which is tabled in the Federal Parliament. This legislation also imposes a duty on the CPPIB to hold public meetings every two years in all nine participating provinces, and to open its books for a routine special examination every six years.

The CPPIB's board and management have voluntarily raised transparency to an even higher level by adopting a disclosure policy which states:

> *"Canadians have the right to know why, how and where we invest their Canada Pension Plan money, who makes the investment decisions, what assets are owned on their behalf, and how the investments are performing."*

In keeping with this policy, the CPPIB reports its results on the same basis as most Canadian public companies, including the presentation of independently audited financial statements, as well as the inclusion of a Management's Discussion and Analysis and a Compensation Discussion and Analysis, in the annual report.

In addition, the CPPIB posts its investment policy and objectives, as well as a full list of its public equity holdings, on its website. The website also identifies the CPPIB's private investment fund partners and real estate fund partners, how much it has committed to each of these funds, and how much has been drawn down.

The CPPIB believes it is possible to provide a very high degree of transparency without compromising our proprietary investment insights.

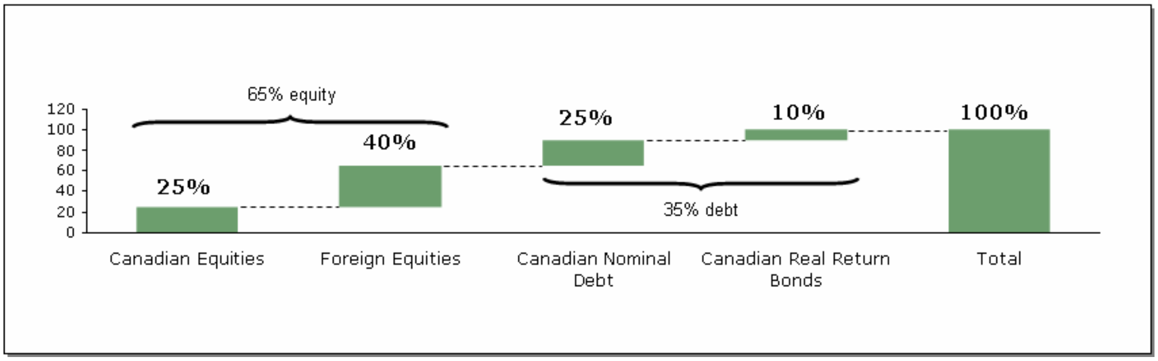
VII. Investment Strategy & Accountability Framework

The CPPIB's legislated mandate directs it to achieve "a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability to meet its financial obligations on any business day." The CPPIB has interpreted this to mean that its mission is to generate the returns required to help keep the CPP sustainable over the long term.

In defining sustainability, the Federal and Provincial finance ministers who serve as the CPP stewards expressed a desire that the CPP be able to pay benefits at current levels, adjusted for inflation, with an employer-employee contribution rate of no more than 9.9 per cent. A 9.9 per cent contribution rate requires an annualized real return of at least 4.2 per cent over the 75-year projection period used in the *21st Actuarial Report on the Canada Pension Plan* that was prepared by the Chief Actuary of Canada.

Within those broad parameters of sustainability, the mission of the CPP Investment Board is to earn value-added returns over the long term to help secure the future CPP benefits of generations of Canadians. To measure investment management performance in relation to the long-term 4.2 per cent annual real return assumption, the CPPIB developed the CPP Reference Portfolio in fiscal 2006 and implemented it in fiscal 2007.

Composition of the CPP Reference Portfolio



The CPP Reference Portfolio is a potential strategic alternative for the CPPIB. It acts as a low-cost, low-complexity model portfolio that embodies the investment objectives and implied level of risk envisioned by the CPP stewards during the CPP reforms in 1997.

The objective in creating this hypothetical portfolio was to create a diversified, investable benchmark that is easily understood and reasonably expected to generate the long-term returns assumed in the Chief Actuary’s 75-year CPP projection.

Since it is an investable portfolio, the CPP Reference Portfolio represents a valid strategic option for the CPPIB to fulfill its mandate. As such, it acts as a relevant benchmark by which to judge the performance of the CPP Fund as managed by the investment professionals of the CPP Investment Board. The CPP Reference Portfolio was created for accountability and measurement purposes only; it is not a target portfolio for the actual CPP Fund.

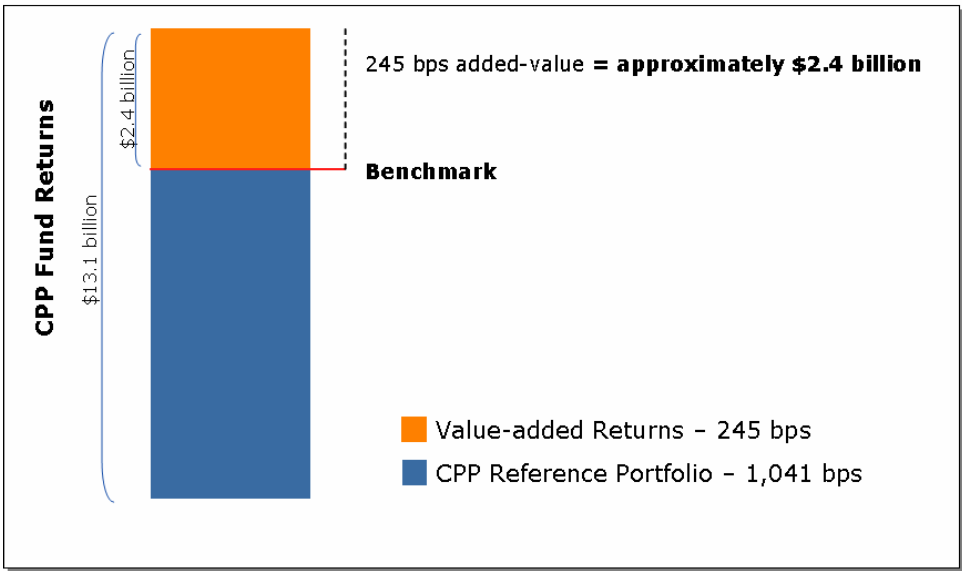
The CPP Reference Portfolio is the cornerstone of the Risk-Return Accountability Framework that supports our investment strategy and provides a clear method to measure our success. While the CPP Reference Portfolio could meet the long-term funding needs of the CPP based on the reasonable capital market returns assumed in its design, the CPPIB has made a strategic choice to strive to generate additional returns above those inherent in the CPP Reference Portfolio. Our investment strategy, therefore, is to add value above and beyond this strategic benchmark. Enhanced long-term returns improve the financial performance of the overall plan and thus contribute to the long-term sustainability of the CPP.

The range of investment strategies used in managing the CPP Fund has evolved over time. When the CPPIB began its investment program in 1999, cash flows were initially invested in public equities. This portion of the fund now holds shares of some 2,600 public companies, including 700 in Canada, largely as a result of replicating the composition of major stock markets.

In recent years, management has elected to pursue value-added returns by expanding the range of investment programs to include private equity, real estate and infrastructure, achieving greater global diversification and implementing a variety of active investment strategies.

The CPPIB's value-added performance target for fiscal 2007 was set at 35 basis points over the CPP Reference Portfolio return, taking into account the stage of development of our active investment capabilities. Actual performance for fiscal 2007 exceeded the CPP Reference Portfolio by 245 basis points (see chart below).

2007 CPP fund value-added returns



Investing an increasing proportion of the CPP Fund in global markets is part of our diversification and risk management approach. As the portfolio continues to grow, over time, the proportion of our portfolio invested abroad will increase. Investing in international markets supports our mission in three primary ways.

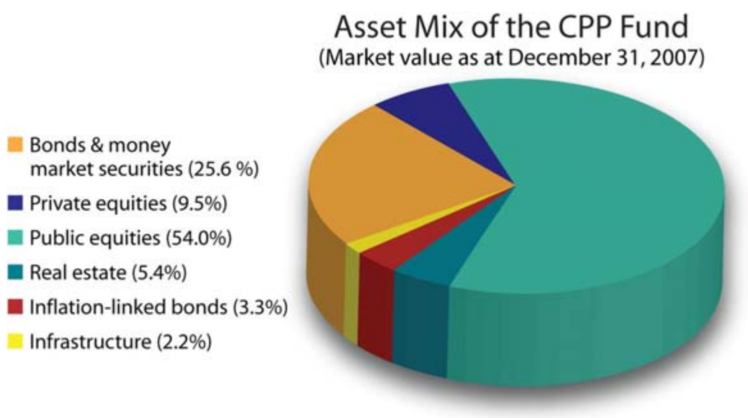
- First, Canada's marketplace is small relative to many other countries. For example, our stock market represents only 3 per cent of world market capitalization, and is heavily concentrated in a few sectors, such as natural resources and financial services. It offers few opportunities to invest in sectors such as technology, health care and consumer goods.

- Second, the flow of contributions into the CPP varies directly with the health of the Canadian economy. By reducing the Fund's reliance on the Canadian economy, global diversification offers a source of returns for those times when the Canadian economy, and correspondingly CPP contributions, is in decline.

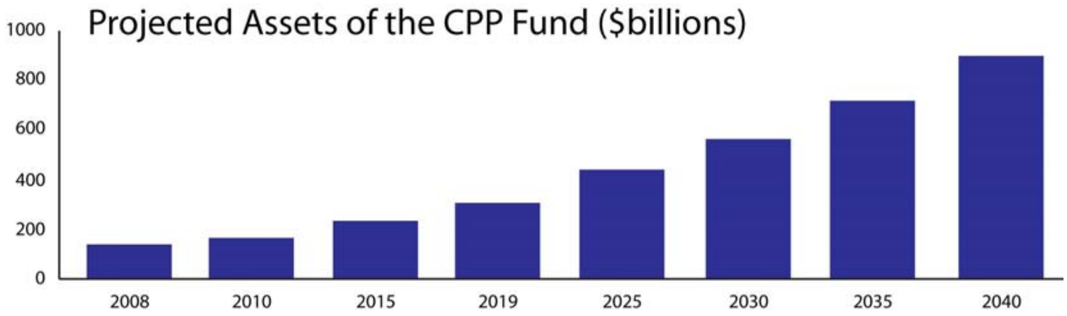
- Third, prudent investments in rapidly growing regions will enable the CPP Investment Board to harness the positive demographic growth and rising productivity of other regions of the world to create a flow of foreign income to help support pensions for Canadians. So, while maintaining a sizeable total investment in Canada, we are increasing the percentage of the CPP Fund's global investments.

VIII. CPPIB Performance and Sustainability of the CPP

The CPP Investment Board invests the funds not currently needed by the CPP to pay benefits. The CPP Investment Board has built a diversified portfolio of marketable securities including public equity and private equity, fixed income, real estate and infrastructure.



The CPP is sustainable for the long-term. According to Canada's Chief Actuary, the CPP Fund is projected to have approximately C$312 billion under management by 2019. The first investment earnings from the plan are not expected to be required to pay benefits until 2020. Even by 2040, only one third of investment income will be needed to help pay pensions. The current 9.9% contribution rate is adequate to sustain the plan for the 75 years of the Chief Actuary's review period. An average annual real rate of return for plan investments must be at least 4.2% to sustain predicted expenditures; the annualized rate of return for the past four fiscal years is 13.6%. For the same four-year period, the real (e.g., after inflation) rate of return for the Fund is 11.7%.



The Office of the Chief Actuary of Canada ranks the CPP among the most securely financed plans in OECD countries with Norway, Sweden, the Netherlands and Australia. It is also probably the top plan among G7 nations. Even with the surge in retirements expected in the next decade, the CPPIB will administer one of the largest and fastest-growing single-purpose pools of investment capital in the world. That makes the CPP one of the most actuarially sound plans of its kind.

The following table summarizes financial performance of the CPP Fund managed by the CPPIB since 2000.

Annual Fiscal Year Summaries

CPP Reserve Fund	FYTD 2008	2007	2006	2005	2004	2003	2002	2001	2000
Total assets (C$billions)	119.4	116.6	98.0	81.3	70.5	55.6	53.6	48.7	44.5
Asset Growth (C$billions)	2.8	18.6	16.7	10.8	14.9	2.0	4.9	4.2	-0.2
Portfolio returns (%)	0.5	12.9	15.5	8.5	17.6	-1.5	4.0	7.0	3.2
Investment Income (C$billions)	0.6	13.1	13.1	6.3	10.3	-1.1	2.3	3.0	1.1
Net CPP contributions (C$billions)	2.2	5.5	3.6	4.5	4.6	3.1	2.6	1.2	-1.3

IX. CPPIB vs. Sovereign Wealth Funds

The CPPIB is <u>not</u> a Sovereign Wealth Fund (SWF). There are at least four key attributes that distinguish it from SWFs and other forms of state-sponsored funds.

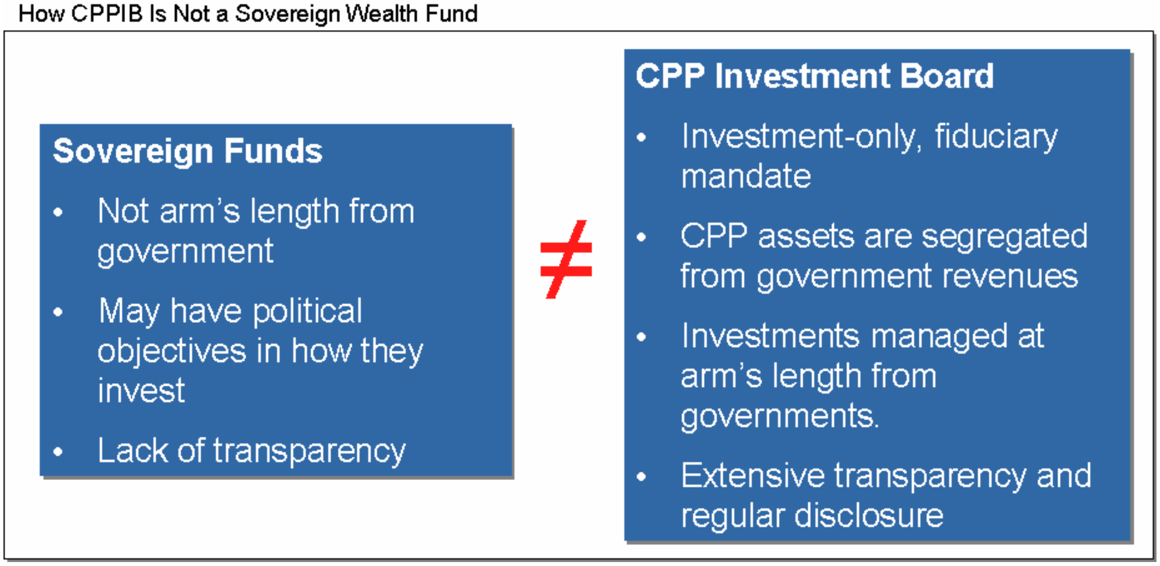
- Governance structure. The CPP Investment Board's governance model was designed to prevent political interference and is enshrined in the Canada Pension Plan Investment Board Act.

- An investment-only, fiduciary mandate. By design, CPP Investment Board decisions are economically motivated, commercial in nature and not influenced by government direction, regional, social or economic development considerations, or any other non-investment objectives.

- Transparency. The CPPIB has set a high standard for transparency among public pension plans and, indeed, for investment organizations of all kinds.

- Segregated Assets. Unlike sovereign funds, Canada Pension Plan assets are not government assets and are not dependent on tax revenues. The Canadian government is neither a sponsor nor guarantor of the plan. While the CPPIB may share similar characteristics with other national pension funds, there are some important and significant differences between it and a Sovereign Pension Fund. The CPP is based on a sustainable model that takes into account the long-term liabilities of the plan, and by design, does not require 'top-ups' from government tax revenues to help sustain the pension fund.

How CPPIB Is Not a Sovereign Wealth Fund



X. Foreign Investment and National Security Act (2007)

The CPPIB is an active investor outside of Canada. As of September 30, 2007, more than 44.6% of our asset value was invested outside of the country. This foreign investment includes both publicly traded stocks and private companies, and infrastructure and real estate investments.

Almost half (approximately US$26.1 billion) of this foreign investment is in the United States, including investments in publicly traded stocks, private companies, infrastructure and real estate. Consequently, CPPIB has a keen interest in the opportunities for foreign investment and, more specifically, any negative effect that the US Foreign Investment and National Security Act of 2007 (FINSA) will have on our ability to invest in the United States.

The US FINSA strikes an appropriate balance between, on the one hand, the clear benefits from foreign investment in creating jobs and raising productivity and the standard of living and, on the other, the unquestionable need for the United States to fully carry out its national security mandate. As FINSA is implemented, however, it is important to avoid negatively affecting the ability of non-government controlled investment organizations like CPPIB to complete US investments where there is no countervailing national security benefit.

Defining "Government-Controlled"

In this regard, CPPIB believes it is of utmost importance that entities like CPPIB not be considered foreign government-controlled for FINSA purposes. Foreign government-controlled transactions receive heightened scrutiny by the Committee on Foreign Investment in the United States (CFIUS). Specifically, they are subject to mandatory second-stage, 45-day national security investigations. Such transactions, therefore, face the prospect of the first stage 30-day review and mandated second stage investigation for a total period under CFIUS examination of 75 days. While the Secretary of the Treasury and the head of the lead agency are empowered to exempt such a transaction from the second stage investigation if they jointly determine that it will not impair the security of the United States, the starting point for foreign government-controlled transactions is a mandated 75-day examination period. This can be contrasted to all other covered transactions which are subject to a 30-day review and only move to the second stage investigation on a discretionary basis. In addition to the longer mandatory examination period, the fact of being a foreign government-controlled transaction is identified as a specific factor for consideration by the President when taking into account the requirements of national security.

If entities like CPPIB are subjected to this framework, they are placed at a significant disadvantage relative to other bidders in a competitive auction for a covered transaction. Depending on the circumstances, the prospect of enhanced scrutiny (in particular, the mandatory second stage investigation) could significantly reduce the interest of a seller in a bid by CPPIB or the interest of a bidding syndicate in having CPPIB join as a participant -- it may be the difference between CPPIB succeeding in a particular investment or not. The potential chilling effect on foreign investment of this competitive disadvantage may well be an appropriate price for the United States to pay in the interests of national security for foreign government-controlled investors but not for entities like the CPPIB that meet the following criteria:

- The entity is constrained by an investment-only, fiduciary mandate;

- No foreign government has access to the entity's assets to fund general government purposes or can influence investment decisions; and

- The entity maintains a high degree of transparency.

The forthcoming regulations to implement FINSA will provide a good opportunity to deal with the issue in a transparent way and provide clear guidance to the market, as well as an opportunity to encourage desired market behavior.

Critical Infrastructure

CPPIB also urges that "critical infrastructure" be clearly and narrowly defined, so that the purpose of FINSA is achieved without adding a burden to transactions that do not affect US national security. Consideration should be given to excluding from this definition:

- Physical infrastructure systems and assets for which there are viable alternatives. Examples would include power plants representing only a portion of a region's generating capacity; and roads, highways, almost all bridges, railways and airports (with respect to which there will always be alternative routes).

- Infrastructure systems and assets in sectors or industries where there are a number of competitors offering comparable services or products. Examples would include almost all financial institutions, transportation companies, and large parts of the energy sector.

- Health systems where there are viable public and private alternatives.

While some determinations must of necessity be fact specific, it is important that investors have as much guidance as possible on the meaning of "critical infrastructure" so that (i) foreign persons know when their transactions involve critical infrastructure and notice should be filed with CFIUS, and (ii) CFIUS is not inundated with cautionary filings for the many transactions that could fall under the broad definition but that do not raise any national security concerns.

XI. Selected Third Party Commentary

- **OECD report entitled, "On Sovereign And Public Pension Reserve Funds: Sovereign Wealth & Pension Reserve Fund Issues (Room Document 1 (English)", December 4, 2007[2].**

  "While most of these funds, like the social security system itself, fall under the government sector, there are some exceptions. For example, the Canada Pension Plan (CPP) reserve fund is legally independent of government. The CPP has no financial guarantee from government and relies solely on mandatory pension

[2] See Directorate for Financial and Enterprise Affairs, Insurance and Private Pensions Committee, Working Party on Private Pensions, *OECD Seminar on Sovereign and Public Pension Reserve Funds – Sovereign Wealth & Pension Reserve Fund Issues*, copy of draft (subject to further revision) attached, at paras. 5.2(i) and 40.

contributions and investment income from the reserve fund to finance pension benefits for Canadian citizens. In this sense, the CPP reserve fund may not be considered a SWF.

- Some public pension reserve funds, like the Canada Pension Plan reserve fund, are even operated by private sector management entities (the CPP Investment Board) and led by a board of professionals independent of government. The board approves investment policies and makes critical operational decisions, such as the hiring of the president and chief executive officer and the setting of executive compensation. Such governance structures ensure a high degree of protection against political interference in the management of the reserve fund."

- **"Upgrading the Investment Policy Framework of Public Pension Funds", Dimitri Vittas, Gregorio Impavido, Ronan O'Connor. The World Bank. Financial Systems Department. Financial Policy Division. January 2008.**

  "The CPPIB operates with a strong governance structure. This is based on two important principles: independence from government and other interests, especially in making investment decisions; and full public accountability."

- **"Reforming The Canadian Retirement System: Investing Social Security Assets In Equities," By Steven A. Sass. Center for Retirement Research at Boston College. Global Issue in Brief April 2006, Number 5.**

  "The goal was to set a contribution and benefit that would be the same for each generation, using equities to minimize the cost of the program. The primary concern over the use of equities is political — will this mixture of politics and economics result in a loss of investment returns or, more troubling, in a loss of democratic control of politicians and government officials? To alleviate such concerns, Canada set up an elaborate governance system designed to make the CPP Investment Board professional and independent. Thus far, the CPP governance system is generally viewed as achieving these objectives."

- **The Washington Post, David Cho, *"A Growing Foreign Stake in U.S. Banks,"* January 16, 2008, available at:** www.washingtonpost.com/wp-dyn/content/article/2008/01/15/AR2008011503664_pf.html

  "Barney Frank (D-Mass.), who chairs the House Financial Services Committee, said that while there is potential for political 'games to be played' by sovereign wealth funds, the greater concern is the economic weakness that has eroded the power of the U.S. banking system.

  'The shift in power does not come from Singapore or Abu Dhabi investing in Wall

Street, the shift comes from our economy screwing up,' Frank said. 'And the way we deal with this is not to say we aren't going to accept foreign investments but to fix what's wrong with our economy.'" January, 2008 Washington Post article.

- **As Robert M. Kimmitt, Deputy Secretary of the U.S. Department of the Treasury, wrote in <u>Foreign Affairs (January/February, 2008)</u>,**

  "To frame this policy discussion, it is useful to differentiate among four kinds of sovereign investment: international reserves, public pension funds, state-owned enterprises, and SWFs."

- Opening Remarks of Senator Charles Schumer, Chairman of the Joint Economic Committee (February 13, 2008),

  "It is clear we need to find out more about sovereign wealth funds – how they are run, what drives their investment decisions. Sovereign wealth funds should voluntarily provide information and agree to guidelines that promote good governance, accountability, and transparency. Here are some questions they should answer:

  - Do sovereign wealth fund officials report to an independent board of directors or directly to the government?
  - Do they disclose their investment goals? If those goals change, is that made public?
  - Are directors and the investment management team selected on the basis of business qualifications and not political affiliation? Are their professional qualifications and experience made public?
  - Is there a stringent code of conduct that compels members of the board of directors and management to report any attempts by the government to influence investment decisions?
  - Do they publicly disclose quarterly and annual audited financial statements?
  - Do they publicly disclose all their portfolio holdings?"

- Former Treasury Secretary Larry Summers, Harvard Charles W. Eliot University Professor, article in The Financial Times, *"Funds that shake capitalist logic,"* July 29, 2007, available at: www.ft.com/cms/s/2/bb8f50b8-3dcc-11dc-8f6a-0000779fd2ac.html: "The logic of the capitalist system depends on shareholders causing companies to act so as to maximize the value of their shares. It is far from obvious that this will over time be the only motivation of governments as shareholders."

- Current SEC Chairman Cox Keynote Address and Robert R. Glauber Lecture at the John F. Kennedy School of Government, *'The Role of Government in Markets,'* October 24, 2007, available at: www.sec.gov/news/speech/2007/spch102407cc.htm: "When individuals with government power also possess enormous commercial power and exercise control over large amounts of investable assets, the risk of misuse of those assets, and of their conversion for personal gain, rises markedly. Unchecked, this would be the ultimate insider trading tool."

- The Economist, *"Asset-backed insecurity,"* January 17, 2008, available at: www.economist.com/finance/displaystory.cfm?story_id=10533428: "…although the risk that the funds may abuse companies and markets is theoretical, the danger of financial protectionism is all too real. The idea that secretive foreign governments are up to no good exerts a powerful hold on the collective imagination."

On May 31, 2006, Standard & Poor's Rating Services report "Global Graying", compared 32 developed economies and concluded that the exceptional AAA rating on Canada would remain until 2040, after which it would only slightly decline to AA by 2050. All other countries in the sample except Denmark (AA) and Austria (A) would drop below investment grade by 2040. According to Standard & Poor's "Global Graying Country Report: Canada. June 6, 2006:

"Canada's significant out-performance primarily reflects its strong initial fiscal position … as well as the substantial reforms undertaken in the late 1990s to bring the finances of the Canada Pension Plan onto a sustainable footing. The benefits of the considerable efforts required to achieve both these timely reforms will be compounded in the coming decades."

available at
http://www.ratingsdirect.com/Apps/RD/controller/Article?id=512877&type=&outputType=print&from=