National Pensioners and Senior Citizens Federation
La fédération nationale des retraités et des citoyens âgés

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The Honourable James Flaherty
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I am writing on behalf of the National Pensioners and Senior Citizens Federation to ask that the Federal Government Finance Committee conduct a hearing on the compensation plans for the CPP Investment Board Directors, Executives and Portfolio Managers. We are angered by the news today that four top executives of the CPP Investment Board are receiving $1.1 to $2.4 million of bonuses for the fiscal year ending March 31, 2009 when the CPP has an investment loss of $24 billion or -18.6%. These bonuses are on top of salaries that are significantly higher than what average Canadians are earning.

The National Pensioners and Senior Citizens Federation (NPSCF) is a democratic, non-partisan, non-sectarian, and non-racial organization, formed in 1945. We are comprised of 450 seniors' chapters and clubs across Canada, who have a collective membership of 1,000,000 Canadian seniors.

Everyone in Canada is eligible to receive an Old Age pension at age 65 thanks to the work of the National Pensioners and Senior Citizen's Federation. The first Old Age Pensioners Club was formed in Pincher Creek, Alberta in 1941. When Jessie Murdoch, John Landeryou and Harriet Cunningham settled on the functions, aims and goals of the club, the first meeting of the Lethbridge Old Age Pensioners Association took place in 1942. Shortly afterwards Nathan Medd of Saskatoon came to Lethbridge to see if the Alberta group would join the Saskatchewan group to form a National Association. Over the past 64 years, the NPSCF has worked to develop and protect the Old Age Security and Canada Pension Plan for the benefit of Canadian seniors.

Pay for value added performance is a reasonable component of compensation plans, but the amount paid to top CPP executives has to pass the test of good citizenship:

1. The CPP executives should pay back their Fiscal 2009 bonuses.

2. Reasonable caps on salary plus bonus on aggregate compensation in any one year, regardless of value added performance. The CPP executives are not private sector owners, but professional managers of the CPP assets that are publicly provided for.

3. No bonuses paid in years where there are absolute losses in the CPP fund.

4. Significant portions of bonuses held in reserve to offset accumulated value added profits with future losses, so that there is no incentive for risk-taking to produce short term bonuses.

5. Rolling 4 year profits not a reasonable benchmark, because if you go back 100 years and look at a portfolio of 60% stocks/40% bonds, you'll see there were very few negative rolling four-year returns. The fiscal year 2009 CPP loss wiped out four years of contribution, but senior managers collected millions over those years.

6. All asset class benchmarks for value added performance be made public and subject to audit by the Auditor General of Canada.

7. CPP performance relative to other pension plan managers in Canada over a four year period be taken into account. CPP investment performance for the year ending March 31, 2009 is 3rd quartile and for the four year rolling period ending March 31, 2009 is 2nd quarter. This relative performance is hardly stellar and deserving of million dollar plus compensation for the CPP investment managers.

Yours sincerely,

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Relative Performance of the CPP

Pension Plans Over $1 Billion For Year Ending March 31, 2009	Percentile				CPP		
	75th	50th	25th	5th	Performance	Percentile	Quartile
1 Year	-21.1%	-18.5%	-15.7%	-11.1%	-18.6%	50th to 75th	3rd Quartile
4 Year	0.4%	0.5%	1.8%	3.4%	1.4%	25th to 50th	2nd Quartile

Source: RBC Dexia Investor Services

TABLE 6: SUMMARY COMPENSATION TABLE[1]

NAME AND PRINCIPAL POSITION	Year	Salary	Non-Equity Incentive Plan Compensation: Annual[2] STIP	Non-Equity Incentive Plan Compensation: Long-Term[3] LTIP	Non-Equity Incentive Plan Compensation: Long-Term[3] RFU	Pension Value: Pension Contributions[4]	Pension Value: SPP Contributions[4]	All Other Compensation[5]	Total Compensation
David F. Denison PRESIDENT AND CEO	2009	$490,000	$ 735,000	$1,236,145	$389,877	$14,242	$44,781	$ 9,571	$2,919,616
	2008	$475,000	$1,246,875	$1,902,343	$473,623	$13,568	$43,762	$ 8,795	$4,163,966
	2007	$460,000	$1,840,000	–	–	$12,765	$51,334	$ 10,013	$2,374,112
Nicholas Zelenczuk SVP AND CFO[6]	2009	$ 60,000	$ 100,000	–	–	$ 3,600	–	$ 1,823	$ 165,423
Myra Libenson CFO[7]	2009	$174,423	–	–	–	$ 9,673	$11,185	$603,174	$ 798,455
	2008	$273,077	$ 300,000	–	–	$13,290	$17,004	$ 7,698	$ 611,069
	2007	$223,269	$ 320,000	–	–	$13,529	–	$ 4,367	$ 561,165
Mark D. Wiseman SVP PRIVATE INVESTMENTS	2009	$335,000	$ 735,000	$1,110,429	$266,686	$14,162	$23,979	$ 7,574	$2,492,830
	2008	$325,000	$1,050,000	$1,364,499	$324,058	$13,568	$23,512	$ 7,203	$3,107,840
	2007	$310,000	$1,360,000	–	–	$12,784	$23,334	$ 6,426	$1,712,544
Donald M. Raymond SVP PUBLIC MARKET INVESTMENTS	2009	$335,000	$ 541,695	$ 488,192	$266,686	$14,162	$23,979	$ 8,192	$1,677,906
	2008	$325,000	$ 828,750	$1,103,738	$324,058	$13,568	$23,512	$ 7,447	$2,626,073
	2007	$310,000	$1,177,000	$ 240,438	–	$12,777	$34,423	$ 6,580	$1,781,218
Graeme M. Eadie SVP REAL ESTATE INVESTMENTS	2009	$310,000	$ 435,356	$ 395,502	$246,381	$14,162	$20,604	$ 7,203	$1,429,208
	2008	$300,000	$ 765,000	$1,111,092	$299,130	$13,568	$20,137	$ 6,504	$2,515,431
	2007	$285,000	$1,077,000	–	–	$12,828	$19,884	$ 6,243	$1,400,955

[1] All amounts shown in the Summary Compensation Table above reflect compensation paid to named executive officers in (or in respect to) the current fiscal year only. Amounts shown under Long-term incentive plan compensation (LTIP and RFU), therefore, do not depict grant date values. Incentive plan compensation is paid in cash in the year following the year in which they are earned; amounts shown above were paid to the NEOs in early fiscal 2010 in respect of fiscal 2009.

[2] STIP: Target STIP awards are set as a percentage of salary, to which a multiplier is applied. The multiplier is based both on actual fund performance (CPP Fund and asset class) over the previous four fiscal years (transitioned to four years in fiscal 2009 from three years in fiscal 2008), and on individual performance, and cannot result in a payout more than two times the target award.

[3] LTIP and RFUs: Long-term incentive plan compensation reflects amounts payable for the current year. Starting in fiscal 2006, target LTIP awards are set as a percentage of salary at the outset of each year, and are typically paid out at the end of a four-year cycle. As with STIP, a multiplier is applied to the target LTIP award based on the investment performance of the CPP Fund and its asset classes as compared with specified benchmarks; by the end of the performance period this multiplier cannot exceed three times the value of the target award. The final LTIP payout is increased (or decreased) based on the Fund's compounded rate of return over the performance period. RFUs are a notional investment in the Fund that fluctuate in value according to fund performance; awards are set as a percentage of salary at the outset of each year, and typically vest and are paid out in cash at a rate of 1/3 per year.

[4] CPP Investment Board makes contributions to the defined contribution pension plan and notional contributions to the supplementary pension plan. Under the defined contribution registered pension plan, employees contribute three per cent of annual eligible earnings and the CPP Investment Board contributes six per cent to the maximum allowed under the *Income Tax Act (Canada)*. Eligible earnings include salary plus annual STIP award to a maximum of 50 per cent of base salary. Under the defined contribution supplementary pension plan, which is unfunded, employees earn contribution credits equal to nine per cent of their eligible earnings in excess of the maximum eligible earnings under the defined contribution registered pension plan. The total unfunded liability for the NEOs as at March 31, 2009 is $352,507 (2008 – $337,093).

[5] Benefits include life insurance, disability benefits, health and dental benefits, fitness reimbursement and vacation. Perquisites include paid parking or transit passes. This column does not include pension contributions.

[6] Mr. Zelenczuk joined the CPP Investment Board on January 15, 2009. Fiscal 2009 STIP award as per employment agreement.

[7] Ms. Libenson, former CFO, ceased employment with the CPP Investment Board effective November 14, 2008, and received $598,129 to discharge obligations outlined in her employment agreement, including the settlement of vacation owing.