# Worth It: How Canada's Pensions Can Invest in Real Canadian Growth

Canadian Shield Institute

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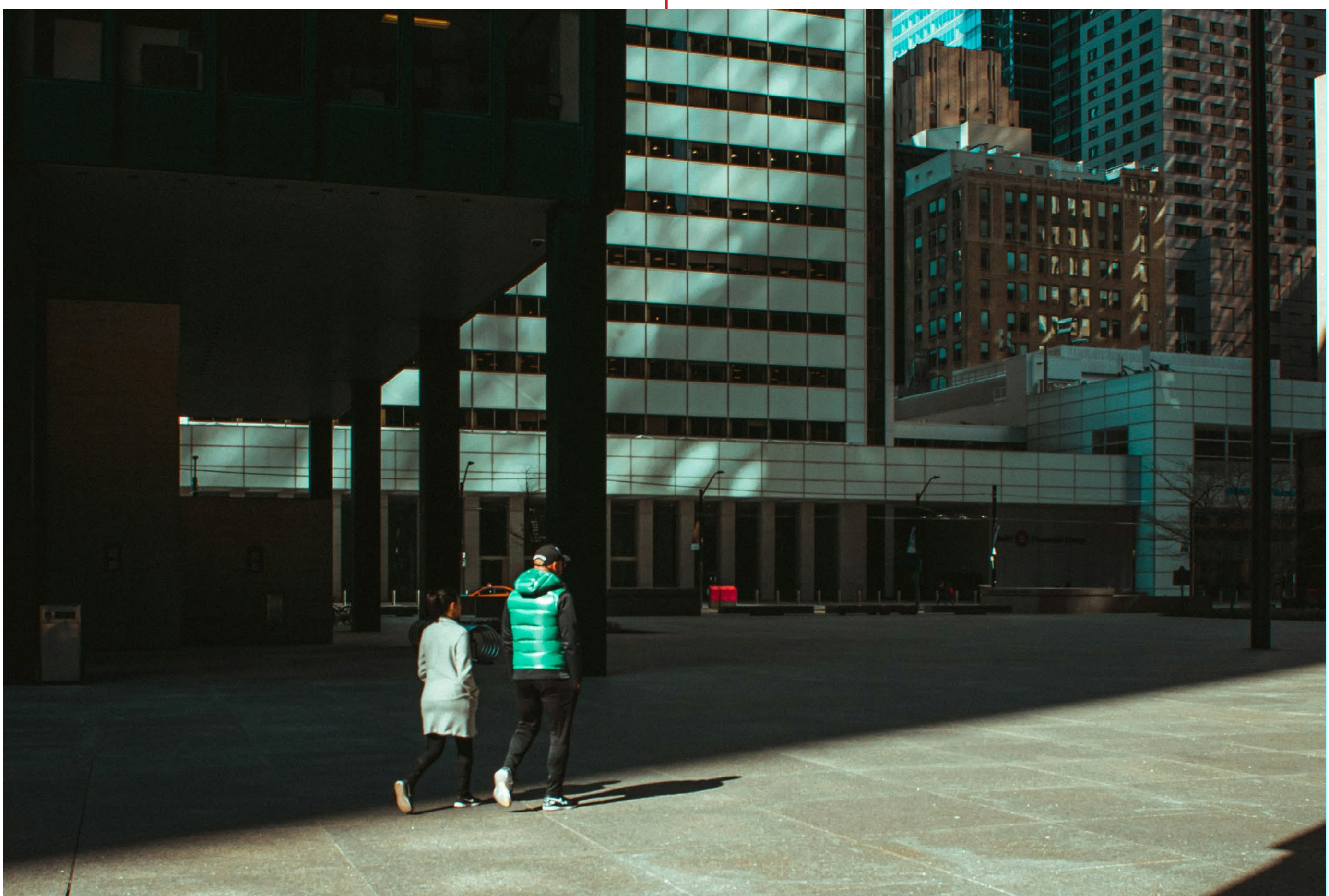

# Introduction

In April of 2026, the Ontario municipal employees' pension plan (OMERS) announced plans to invest at least $10 billion of new money in Canada over the next five years.

To drive the point home, OMERS announced the same $10 billion commitment again in an August 2026 news release, about a month before the landmark Canada Investment Summit. OMERS was early to the party, but in the following weeks, four other big Canadian pension plans announced multi-billion dollar intentions for investing in Canada.

While the government does not directly mandate where the pension funds invest their money, clearly the leadership among the biggest capital allocators in Canada was taking signals from the prevailing mood in Ottawa.

Prime Minister Mark Carney has said that he wants to "catalyze" $1 trillion in new investment in Canada, and the pension funds have historically been criticized for not investing enough here at home. But a close look at the actual details of the announced investment commitments reveals strikingly little detail.

The Ontario Teachers' Pension Plan announced its intention to invest an additional $10 billion in Canada by the end of 2027. No specifics were offered in terms of what kind of assets or projects the money will be invested in.

On its own, $10 billion sounds like a lot of money. But it represents 3.3 per cent of the $303.2 billion net assets under management that OTPP disclosed in the same news release.

Separately, the OTPP reports that around 30 per cent of their current assets are invested in Canada, but we cannot even confidently say that the new OTPP plan will bring their share of Canadian assets from 30 per cent to 33.3 per cent. In the OTPP annual report, the fund discloses "net assets" when talking about the total size of the fund, but they use "gross investments" when talking about geographic allocation.

Struggling with poorly disclosed and inconsistent data is a familiar problem for anybody who has attempted to make sense of the investment choices of the Maple 8 pension plans. OTPP is by no means an outlier.

In fact, the federal government explicitly recognized this issue back in the fall of 2023, and made an attempt to improve transparency. In the Fall Economic Statement, the government announced:

> "As part of this effort, and in order to improve transparency around pension investments, the government also proposes to require large federally-regulated pension plans to disclose the distribution of their investments, both by jurisdiction and asset-type per jurisdiction, to the Office of the Superintendent of Financial Institutions (OSFI). This information will be made publicly available, and the government will engage with provinces and territories to discuss similar disclosures by Canada's largest pension plans in a simple and uniform format."

However, this never happened. In an August 2026 email to the Canadian Shield Institute, the regulator said that this public disclosure requirement had been quietly abandoned:

> "Legislative amendments supporting this initiative were enacted through the Budget Implementation Act, 2024, No. 1, and draft regulations were published for consultation in November 2024. However, the regulations required to implement the public disclosure framework were not brought into force. As a result, OSFI has not publicly released plan-level investment information under this initiative."

# A Long Running Debate

The lack of clear information about pension fund investments has not stopped Canadians from paying increasing attention to the trend of pension fund investing in recent years.

In March of 2024, more than 90 Canadian business leaders signed an open letter calling on the government to "amend the rules governing pension funds to encourage them to invest in Canada."

The open letter also publicly noted the trend away from investing in Canada.

> "Canadian Pension Funds have reduced their holdings of publicly traded Canadian companies from 28% of total assets at the end of 2000 to less than 4% at the end of 2023. It is estimated that the eight largest pension funds in Canada have more invested in China (roughly $88B) than they do in Canadian public and private equities (roughly $81B). Their holdings of all Canadian based equity investments including public and private companies, real estate, and infrastructure is down to approximately 10% of total assets."

A month later, in April of 2024, the Government of Canada announced in the federal budget that former Bank of Canada governor Stephen Poloz would be conducting a working group "to find more opportunities for Canada's largest pension funds to drive economic growth at home."

In December of 2024, Poloz delivered his policy review, and recommended a range of policy tweaks. The most notable change was removing the 30 per cent rule, which limited pensions from taking larger stakes in Canadian entities. The Poloz report also prompted the government to announce that they were "exploring lowering the 90 per cent threshold" that limits municipally owned utility corporations from taking more than 10 per cent private sector ownership.

The government also announced up to $45 billion in funding for loans or equity investments in data centre projects, on the condition that the pension funds invest at a ratio of 2:1 of their own capital "and become significant shareholders in an AI data centre project." The federal government said that seven pension funds had expressed some interest in this scheme.

The government also announced another $1 billion for the Venture and Growth Capital Catalyst Initiative. While not directly related to pensions, the government said that this round of funding would "include more enticing terms" for pension funds and other institutional investors.

In addition, the Poloz working group recommended taking steps towards "helping airports attract the investment needed to improve" which could include "exploring potential changes to airport authority ground leases."

Taken together, these measures can be seen as various steps to encourage pension funds to invest more in Canada, and give the funds greater latitude to put their money into Canadian investments.

However, in 2026 it does not appear that this strategy has moved the needle. In their most recent annual report, the Canada Pension Plan Investment Board (CPPIB) disclosed that they held 12 per cent of the CPP net assets in Canada — unchanged from 2024, when the Poloz policy changes were proposed.

In speaking to the House of Commons Finance Committee in April of 2026, Michel Leduc, senior managing director and chief public affairs officer for CPPIB, forcefully pushed back at the notion that the pension plan has any obligation to invest in Canada.

He said that diversifying risk and delivering strong returns requires investing in the global market, and limiting exposure to the Canadian economy.

> "Our focus is to deliver strong returns over the long term. Despite external pressures to do other things, our job is clear. By design, we are not a sovereign wealth fund, a development bank, a social-cause vehicle or an innovation venture. Had finance ministers intended for us to invest in wider goals, the CPPIB Act would reflect that. Legislators debated this carefully and concluded what our sole objective should be."

Leduc and the CPPIB management team are not the only ones who make this point. Following the Poloz working group announcement, various commentators published articles and newspaper columns asserting the importance of independence for pension investment funds.

Before Poloz had even delivered his recommendations, the co-chair of C.D. Howe Institute's Pension Policy Council argued against the whole enterprise, under the headline: "A proposal to encourage more pension fund investing at home is wrong for Canada." The crux of the argument, similar to the perspective voiced by Leduc, is that pension investment managers must be exclusively focused on chasing the best possible rate of return, and nothing else.

However, CPPIB is not beyond reproach in this regard. Globe and Mail columnist Andrew Coyne has repeatedly highlighted the reality that Canada's largest pension fund has repeatedly failed to exceed its own benchmarks.

In 2024, the same year that Poloz was appointed to study ways to incentivise more investment in Canada, Coyne pointed out that CPPIB has racked up $46 billion in operating and transaction costs, while falling behind market performance over the 18 years since the fund moved to active investing.

Meanwhile, the Caisse de dépôt et placement du Québec — Quebec's pension fund — has a notable dual mandate which fund CEO Charles Emond proudly articulates in their 2025 annual report: "In a fast-changing global environment, where our guideposts grow increasingly unstable, it is fundamental to remember our roots, firmly anchored in our dual mandate: to generate optimal returns while contributing to Québec's economic development."

The Caisse holds more than $500 billion in assets under management, of which $100 billion is specifically invested in Quebec. Over 10 years, the Caisse equivalent risk benchmark portfolio returned a 6.9 per cent annual rate of return, whereas the actual performance of the fund returned 7.2 per cent.

It would be an overstatement to suggest that a fund mandated to invest in its local geography is delivering substantially better returns, but on its face, the Caisse dual-mandate does not appear to be a substantial hindrance.

The difference in approach gestures at something that Leduc referenced in his commentary to the House of Commons Finance Committee. The CPPIB and other pension funds are executing a mandate given to them in legislation.

In examining several peer nations, we found a range of policy instruments used to encourage pension funds to invest in domestic economic development. While most countries have not enacted a hard mandate, we see governments taking steps to guide pension capital into domestic investment.

As recently as 2025, the United Kingdom established the Mansion House Accord, where seventeen of the largest workplace pension providers announced an intention to hold at least 10 per cent of their defined-contribution funds in private markets by 2030, with at least 5 per cent of the total assets earmarked for the U.K. specifically. Notably, Mansion House Accord comes with a legislative backstop, allowing the government the option to mandate these targets in law, if the pension funds don't do enough on a voluntary basis.

Across countries like France, Japan, Israel, and Sweden, we see a range of other policy mechanisms — from outright mandates to government-run investment vehicles. In Australia, which is often considered one of Canada's closest comparable peers, there is no firm mandate to invest domestically, but we observe similar pressure.

# Solution: A Mandate To Invest in Canadian Growth

The pension funds are creatures of public policy; the government can choose to change their mandate. The Canada Pension Plan Investment Board Act was originally passed in 1997; perhaps the economic reality for Canada in 2026 is different from what it was when Bill Clinton was the U.S. president.

Ultimately, pensions represent the deferred wages of Canadian workers, and their primary purpose is supporting workers in their retirement. It is in the interest of those workers, and their families, for Canada to have a thriving and prosperous economy. But it would miss the mark to simply direct pension funds to allocate more of their assets to Canada.

The Healthcare of Ontario Pension Plan (HOOPP) is something of an outlier; the fund's annual report in 2025 boasted that 49 per cent of assets under management are invested in Canada.

However, a close examination of the actual breakdown of investments reveals that the only asset class where HOOPP is investing disproportionately in Canada is bonds — an asset class that is much less likely to drive economic growth. In 2022, HOOPP also disclosed that 51 per cent of their $21 billion real estate portfolio is in Canada — another asset class that is less likely to drive significant growth.

When it comes to private equity investment, HOOPP is investing $23.7 billion outside of Canada, while the fund is investing $398 million in Canada. Public equities are similarly skewed, with $69.3 billion invested outside of Canada, compared to just $12.8 billion allocated to Canadian publicly traded companies.

A blunt mandate to invest more in Canada might very well cause pensions to follow HOOPP's model, resulting in significantly higher exposure to the specific economic conditions of the Canadian economy, while also not meaningfully contributing to economic growth.

Solution: Canadian pension funds should be mandated to allocate 3 per cent of assets under management towards investing in Canadian growth companies.

The 3 per cent investment target is calibrated to give pension funds enough latitude to restructure their portfolios to offset any risk, while also providing material support to Canada's high-growth firms. It should be entirely possible for a sophisticated investment fund to allocate 3 per cent to Canadian growth assets, and balance the risk through the allocation of the other 97 per cent of assets.

Taken together, Canadian pensions manage more than $3 trillion. Just the Maple 8 pensions alone manage $2.7 trillion, which means that 3 per cent of assets would represent in the range of $70-$90 billion.

In 2025, there was a total of $8 billion in venture capital investment, across 571 deals in Canada, according to data tracked by the Canadian Venture Capital and Private Equity Association (CVCA). In the private equity space, CVCA tracked $57.5 billion across 592 deals in 2025.

If the 3 per cent target were phased in over 10 years, that would represent roughly $7 billion each year in new demand, which would be large enough to fuel the growth of promising Canadian companies, without providing so much new capital that the market would be unable to absorb demand.

A specific mandated target would require a clear definition of what qualifies as a Canadian growth company. A workable definition, identified by Statistics Canada and comparable to the definitions used by the Organisation for Economic Co-operation and Development and the U.S. Bureau of Labor Statistics, is a firm with 10 or more employees, growing at 20 per cent or more per year, on a three-year average annualized rate.

To qualify as a Canadian growth company, the firm would also need to be Canadian-controlled and headquartered in Canada.

The government would need to study the precise framing of the mandate, and potentially recalibrate to ensure that this policy is achieving its goal. For example, it would be disadvantageous to set up an incentive for funds to sell equity in a company as soon as its growth dips below 20 per cent.

For added flexibility, the government could explore a range of options for how pension funds could invest in Canadian high-growth companies. One model would be taking direct stakes by leading their own investments; several of the Maple 8 funds already have venture or growth capital investment arms that do this kind of investing, albeit without an explicit Canadian focus.

Another model would be investing in a fund-of-funds, which would in turn deploy capital through Canadian venture capital funds. This is the approach that the federal government has already taken for the Venture and Growth Capital Catalyst Initiative. The federal government could also consider a 2:1 co-investment model, akin to the scheme that was announced for data centre investments.

# Conclusion

When Prime Minister Mark Carney announced the first-ever Canada Investment Summit to be held in September 2026, he touted the attractive prospects for global investors.

> "Canada has what the world wants. We're an energy superpower, with the most educated workforce in the world and rock-solid fiscal strength. The first-ever Canada Investment Summit will capitalise on those advantages to help drive billions in new investments into Canada. That means more growth for our businesses, more high-paying career opportunities, and a stronger, more independent Canadian economy for all."
>
> -Prime Minister Mark Carney

However, the investment summit was organised by CPPIB and the Public Sector Pension Investment Board, two investment funds that have been steadily shifting their investments out of Canada. It sends a contradictory signal about confidence in the Canadian economy when the largest investment funds are pulling out.

More powerful than signals would be if the government and the country's largest pension funds targeted the most economically potent high-growth companies building for the future. We can invest in Canada, grow Canada, and capture the future wealth to help fund retired Canadians.