CPP Pension: Will COVID-19 Impact Your Retirement Money?

Description

COVID-19 brought renewed focus to the Canada Pension Plan (CPP). Users have every reason to worry about the pandemic's impact on their retirement money. Will there be money to pay CPP pensioners when they retire?

Fund performance

The Canada Pension Plan Investment Board (CPPIB) reported that the pandemic slashed billions from the CPP's investment portfolio. The annual investment return of 3.1% for the fiscal year ending March 31, 2020, was the fund's worst yearly performance since the 2008 financial crisis.

Overall, the CPPIB's Canadian stock portfolio fell 12.2% for the fiscal year. Mark Machin, CPPIB president, said, "When it's something this widespread, there are very few places to hide, either portfolio-wise or geographically."

Despite the unprecedented market crash in 2020, the assets worth $409.6 billion at the end of the fiscal year recorded $17.6 billion in gains. About $12.1 billion of total gains were from net returns on investments, while $5.5 billion came from individual CPP contributions.

Liquidity position

Fitch Ratings reported in July 2020 that the 11-largest pension funds in Canada, including the CPP, are expected to withstand market downturns. Based on the rating agency's assessment, Canada's pension plan peer group's liquidity is exceptionally strong.

Most of the pension funds have sufficient cash and short-term investments to repay all outstanding liabilities. Likewise, these plans can take advantage of investment opportunities when they arise and can rebalance portfolios as necessary.

The CPPIB head wants to reassure worried Canadians that most of the losses in February and March have already been recovered, if not completely erased. He points to five-year and 10-year annual returns of 7.7% and 9.9%, respectively. In the recovery phase, he says some stock sectors will perform better than others due to changing consumer habits.

Top CPP utility stock

Mark Machin believes investment opportunities will open up in the recovery period, not just for the CPPIB but also for individual investors. The CPP fund manager invests in TSX stocks. **Northland Power** (TSX:NPI) is the top holding of the investment board in the utility sector.

The premier utility stock is excellent for risk-averse investors, because it is resilient, regardless of the market environment. This $7.25 billion renewable energy company builds, owns, and operates clean and green power projects in Canada and Europe.

Current shareholders enjoy a 3.23% dividend and winning 35.6% year to date. Over the last five years, the stock achieved annual earnings per share (EPS) growth of 133%. Notably, this independent power producer is showing its finest performance in the 2020 pandemic.

In the six months ended June 30, 2020, sales grew by 30.22% to $1.09 billion, while net income rose 24.54% to $349.3 million. At the close of the same period, free cash flow was $228.9 million. Northland's president and CEO Mike Crawley said the financial results demonstrate resiliency in challenging times.

Sustainable and secure

The office of the chief actuary confirms the CPP fund is sustainable for 75 years. It grows via the net contributions from CPP participants and investment income. By 2050, the total fund should reach around $3 trillion. The retirement money is secure for future generations.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/09/09
Date Created
2020/09/08
Author
cliew