

Statement of Investment  
Objectives, Policies, Return  
Expectations and Risk  
Management for the Cash  
for Benefits Portfolios of  
the Base Canada Pension  
Plan and the Additional  
Canada Pension Plan

Effective February 13, 2020

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## 1.0 PURPOSE

- 1.1 This Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the **Cash For Benefits Portfolios** of the Base Canada Pension Plan and the Additional Canada Pension Plan (“**Investment Statement**”) documents the objectives, policies and procedures approved by the Board of Directors (“**Board**”) of the Canada Pension Plan Investment Board (“**CPP Investments**”) for the management of the Cash for Benefits Portfolio of the base Canada Pension Plan (“**bCPP Cash for Benefits Portfolio**”) and the Cash for Benefits Portfolio of the additional Canada Pension Plan (“**aCPP Cash for Benefits Portfolio**”).
- 1.2 The bCPP Cash for Benefits Portfolio holds assets to pay anticipated base Canada Pension Plan (“**bCPP**”) benefits in the near term and/or to purchase **Units** of the **Core Pool** and/or **Supplementary Pool**, as applicable, in the near term. The aCPP Cash for Benefits Portfolio holds assets to pay anticipated additional CPP Canada Pension Plan (“**aCPP**”) benefits in the near term and/or to purchase Units of the Core Pool and/or Supplementary Pool, as applicable, in the near term.<sup>1</sup>
- 1.3 The bCPP Cash for Benefits Portfolio and the aCPP Cash for Benefits Portfolio are referred to collectively as the “Cash for Benefits Portfolios”, and “Cash for Benefits Portfolio” means either one of them, as applicable. Along with the respective long-term **Investment Portfolio**, each Cash for Benefits Portfolio forms part of the respective **Account** for bCPP and aCPP. Other capitalized terms used in this Investment Statement have the meanings given to them in the Glossary attached as **Appendix A**.
- 1.4 This Investment Statement is supported by proprietary CPP Investments documents that govern the day-to-day management of CPP Investments’ investment activities, including decision authorities, risk management policies

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<sup>1</sup> Under certain circumstances, it may not be possible to immediately invest cash received from the CPP in Units of the Pools. If cash payments on account of bCPP and aCPP are received from CPP within 5 business days after month-end, they may not be immediately invested in Units of the Pool. In this case the funds will be held in the applicable Cash for Benefits Portfolio until Units can be purchased, generally on the 5th business day after month-end.

and standards, performance measurement standards and reporting protocols including compliance.

- 1.5 The Board reviews and confirms or amends the Investment Statement at least once every fiscal year.

## 2.0 INVESTMENT OBJECTIVES

- 2.1 Ensuring the **CPP** has the necessary liquidity to meet bCPP benefit payment obligations on any given business day is the primary objective of the bCPP Cash for Benefits Portfolio. Ensuring that the CPP has the necessary liquidity to meet aCPP benefit payment obligations on any given business day is the primary objective of the aCPP Cash for Benefits Portfolio.
- 2.2 The secondary objectives of the Cash for Benefits Portfolios are:
  - (a) Holding bCPP and aCPP amounts, as applicable, pending their investment in the **Pools**;
  - (b) Earning a return that meets or exceeds a Board-approved benchmark for each of the Cash for Benefits Portfolios over a fiscal year basis;
  - (c) Transferring cash as required to CPP Investments corporate accounts for payment of appropriately allocated CPP Investments **operating expenses**.

## 3.0 BENCHMARK INDEX AND WEIGHTS

- 3.1 The benchmark for measuring and evaluating the performance of the bCPP Cash for Benefits Portfolio is the FTSE TMX Canada 91-Day Treasury Bills Index.<sup>2</sup>
- 3.2 The benchmark for measuring and evaluating the performance of the aCPP Cash for Benefits Portfolio is the FTSE TMX Canada 91-Day Treasury Bills Index.
- 3.3 Benchmark returns are weighted daily by the actual cash holdings throughout the year.

## 4.0 RISK MANAGEMENT

- 4.1 The key risks to be managed are:
  - (a) Not immediately meeting the liquidity requirements for bCPP and/or aCPP.

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<sup>2</sup> In the event that any rate or index referred to in this policy ceases to be available for general market reference, the market-accepted successor to such rate or index shall be used in its place.

- (b) Experiencing undue losses relative to the applicable Board-approved benchmarks due to increased interest rates or defaults.
- 4.2** To manage these risks, the Cash for Benefits Portfolios will be invested in accordance with the following:
- (a) The only securities purchased will be fixed income securities and money market instruments with tenors not exceeding 364 days, with counterparties that possess investment grade ratings as defined in Appendix A of the Board-approved **Risk Policy**.
  - (b) Except for Government of Canada debt obligations, when the combined market value of the Cash for Benefits Portfolios exceeds \$1B, no single counterparty shall comprise more than 40% of the combined market value of the Cash for Benefits Portfolios. When the combined market value is below \$1B, this limit shall not apply. Instruments necessary to expedite cash transfers to and from the CPP or the near time purchase of Units of the Pools shall be exempt from this counterparty concentration limit for the five business days prior to the transfer date or the Unit purchase date.
- 4.3** Treatment of policy and limit breaches and escalation procedures, in relation to this Investment Statement, are contained in the Board-approved Risk Policy.
- 4.4** Additional standards will be developed as needed for the management of the Cash for Benefits Portfolios by the SMD & Global Head of Capital Markets and Factor Investing and approved by the President.
- 4.5** Although the returns of the Cash for Benefits Portfolios are measured separately from the long-term Investment Portfolios in recognition of the Cash for Benefits Portfolios' focus on short-term liquidity and capital preservation, the Cash for Benefits Portfolios' credit exposure will be managed within the overall credit exposure limits established for the Total Fund.
- 4.6** The cash requirement for each month-end for both bCPP and aCPP will be obtained from the CPP and used to calculate the minimum funds necessary to meet bCPP's and aCPP's respective cash requirements. Management will monitor the cash balances in each of the Cash for Benefits Portfolios daily to ensure that:
- (a) the bCPP Cash for Benefits Portfolio contains not materially more than the minimum amount required to meet bCPP's monthly and aggregated annual net cash requirements plus funds held pending purchase of Units of the Pools or in anticipation of near-term payment of CPP Investments operating expenses; and

(b) the aCPP Cash for Benefits Portfolio contains not materially more than the minimum amount required to meet aCPP's monthly or aggregated annual cash requirements plus funds held pending purchase of Units of the Pools or in anticipation of near-term payment of CPP Investments operating expenses.<sup>3</sup>

**4.7** Given the Cash for Benefits Portfolios' short time horizons and the low balances maintained for most of the year, specifying, calculating and monitoring market risk relative to a Board-approved risk limit is not necessary.

## **5.0 PAYMENT OF CPP INVESTMENTS OPERATING EXPENSES**

**5.1** From time to time, amounts may be transferred from cash balances in a Cash for Benefits Portfolio to CPP Investments corporate accounts solely for the payment of CPP Investments Operating Expenses allocated by CPP Investments to the corresponding bCPP or aCPP Account. No such transfer shall result in any amounts being transferred from one Account to the other.

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<sup>3</sup> If cash payments on account of bCPP and aCPP are received from CPP within 5 business days after month-end, they may not be immediately invested in Pool Units. In this case the funds will be held in the bCPP Cash for Benefits Portfolio or the aCPP Cash for Benefits Portfolio, as applicable, until Units can be purchased, generally on the 5th business day after month-end.

APPENDIX A  
GLOSSARY

<b>Account</b>	The <b>bCPP Account</b> or the aCPP Account, as applicable, and <b>Accounts</b> refers to the bCPP Account and the aCPP Account collectively.
<b>aCPP</b>	The additional Canada Pension Plan, as defined in section 91 of the <b>CPP Act</b> .
<b>aCPP Account</b>	The Account representing the assets managed by CPP Investments that are derived from aCPP amounts transferred to CPP Investments pursuant to section 108.3 of the CPP Act. The total aCPP assets managed by CPP Investments consist of the aCPP Investment Portfolio plus the aCPP Cash for Benefits Portfolio.
<b>aCPP Cash for Benefits Portfolio</b>	The portfolio of short-horizon investments used to hold assets to cover any shortfall between aCPP contributions and expenditures (benefits plus administrative expenses) and/or assets that cannot be immediately deployed to purchase Units of the Pools.
<b>aCPP Investment Portfolio</b>	The long-horizon portfolio in respect of the aCPP Account, consisting of Units of the Core and Supplementary Pools and any cash held in the aCPP Account arising from rounding associated with <b>Unitization</b> .
<b>bCPP</b>	The base Canada Pension Plan, as defined in section 91 of the CPP Act.
<b>bCPP Account</b>	The Account representing the assets managed by CPP Investments that are derived from bCPP amounts transferred to CPP Investments pursuant to section 108.1 of the CPP Act. The total bCPP assets managed by CPP Investments consist of the bCPP Investment Portfolio plus the bCPP Cash for Benefits Portfolio.
<b>bCPP Cash for Benefits Portfolio</b>	The portfolio of short-horizon investments used to hold assets to cover any shortfall between bCPP contributions and expenditures (benefits plus administrative expenses) and/or assets that cannot be immediately deployed to purchase Units of the Pools.
<b>bCPP Investment Portfolio</b>	The long-horizon portfolio in respect of the bCPP Account, consisting of Units held of the Core Pool and any cash held in the bCPP Account arising from rounding associated with Unitization.
<b>Board</b>	The Board of Directors of CPP Investments.

<b>Cash for Benefits Portfolios</b>	The bCPP Cash for Benefits Portfolio and the aCPP Cash for Benefits Portfolio collectively, and <b>Cash for Benefits Portfolio</b> means either one of them, as applicable.
<b>Core Pool</b>	A unitized pool of investments designed to deliver the bCPP desired exposures; it is used to manage the <b>bCPP Investment Portfolio</b> and a portion of the <b>aCPP Investment Portfolio</b> .
<b>CPP</b>	The Canada Pension Plan.
<b>CPP Act</b>	The Canada Pension Plan, R.S.C., 1985, c. C-8.
<b>CPP Investments</b>	The Canada Pension Plan Investment Board.
<b>NAV</b>	The Net Asset Value of a Pool, which is the sum of the current fair values of all assets in the Pool minus all liabilities of that Pool.
<b>Operating Expenses</b>	Amounts of expenses incurred by CPP Investments in the operational management of the organization, including compensation costs, general operating expenses and professional services, as described in the applicable Note to the annual Financial Statements of CPP Investments.
<b>Pool</b>	The Core Pool or the Supplementary Pool, as applicable, and Pools refers to the Core Pool and the Supplementary Pool collectively.
<b>Risk Policy</b>	The Investment Risk Management Policy of CPP Investments.
<b>Supplementary Pool</b>	A unitized pool of investments designed so that, in an appropriate combination with the Core Pool, it will deliver the aCPP desired exposures; it is used to manage a portion of the aCPP Investment Portfolio.
<b>Units</b>	A construct representing fractions of the <b>NAV</b> of a Pool that are issued from the Pools to the Accounts or redeemed by the Accounts from the Pools. Each Unit represents an equal proportional financial interest in the applicable Pool.
<b>Unitization</b>	The process by which the unit prices and number of Units in each Pool are determined from the NAV.