

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 9, 2022



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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**¹ 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.²
- 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.
- 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 and standards (including the integrated risk framework), 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.

¹ Capitalized terms used but not defined in this Investment Statement have the meanings given to them in the Glossary attached as Appendix A. Terms explained in the Glossary are in bold when they first appear in the text.

² 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.

2.0 INVESTMENT OBJECTIVES

- 2.1** The primary objective of the bCPP and aCPP Cash for Benefits Portfolios is to ensure that the **CPP** has the necessary liquidity to meet bCPP and aCPP benefit payment obligations on any given business day.
- 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 benchmark rate 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 and aCPP Cash for Benefits Portfolios is the FTSE Canada 91 Day Treasury Bill Index.³
- 3.2** 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.
 - (b) Experiencing undue losses in value relative to the applicable benchmark 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:

³ 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.

- (a) The only securities purchased will be Canadian fixed income securities and money market instruments with tenors not exceeding 364 days, within any applicable overall credit exposure limits established for the Total Fund.
- (b) Securities purchased will have a minimum credit rating of BBB, determined by CPP Investments as the lowest rating of the major agencies.⁴
- (c) 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 Chief Investment Officer 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 any applicable 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 and aCPP Cash for Benefits Portfolios each contain not materially more than the minimum amount required to meet bCPP's and aCPP's respective monthly and aggregated annual net cash requirements plus

⁴ The approach for assigning credit ratings is detailed in the Management-approved Credit Rating Methodology.

funds held pending purchase of Units of the Pools or in anticipation of near-term payment of CPP Investments operating expenses.

- 4.7** Given the Cash for Benefits Portfolios' short time horizons, the low balances maintained for most of the year, and the restriction on investments specified in Section 4.2, specifying, calculating and monitoring **market and credit 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.

APPENDIX A
GLOSSARY

Account	The bCPP Account or the aCPP Account, as applicable, and Accounts refers to the bCPP Account and the aCPP Account collectively.
aCPP	The additional Canada Pension Plan, as defined in section 91 of the CPP Act .
aCPP Account	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.
aCPP Cash for Benefits Portfolio	The portfolio of short-horizon investments used to hold assets to cover any shortfall between aCPP contributions and expenditures (benefits plus administrative expenses), and operating expenses of CPP Investments.
aCPP Investment Portfolio	The long-horizon portfolio in respect of the account representing the assets managed by CPPIB that are derived from aCPP amounts transferred to CPPIB pursuant to section 108.3 of the CPPIB Act
bCPP	The base Canada Pension Plan, as defined in section 91 of the CPP Act.
bCPP Account	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.
bCPP Cash for Benefits Portfolio	The portfolio of short-horizon investments used to hold assets to cover any shortfall between bCPP contributions and expenditures (benefits plus administrative expenses), and operating expenses of CPP Investments.
bCPP Investment Portfolio	The long-horizon portfolio in respect of the account representing the assets managed by CPPIB that are derived from bCPP amounts transferred to CPPIB pursuant to section 108.1 of the CPPIB Act.
Board	The Board of Directors of CPP Investments.
Cash for Benefits Portfolios	The bCPP Cash for Benefits Portfolio and the aCPP Cash for Benefits Portfolio collectively, and Cash for Benefits Portfolio means either one of them, as applicable.
Core Pool	A unitized pool of investments designed to deliver the bCPP desired exposures; it is used to manage the bCPP Investment Portfolio and a portion of the aCPP Investment Portfolio .

CPP	The Canada Pension Plan.
CPP Act	The Canada Pension Plan, R.S.C., 1985, c. C-8.
CPP Investments	The Canada Pension Plan Investment Board.
Market and Credit Risk	Market risk is the risk of loss in portfolio value as a result of changes in capital market factors such as interest rates, foreign exchange rates, equity prices and commodity prices, and volatility. Credit and counterparty risk is the potential for loss due to the failure of a borrower, counterparty, or guarantor to repay a loan or obligation in accordance with agreed terms; or the diminution in the value of a debt instrument due to a change in the credit quality of the borrower, counterparty, guarantor or underlying assets supporting the credit exposure.
NAV	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.
Operating Expenses	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.
Pool	The Core Pool or the Supplementary Pool, as applicable, and Pools refers to the Core Pool and the Supplementary Pool collectively.
Risk Policy	The Risk Policy sets out CPP Investments' integrated risk framework, and defines the risk appetite (in the form of risk limits, statements and targets) and risk management provisions approved by the Board to manage and mitigate risks
Risk Limit	Minimum or maximum values for risk measures where breaches indicate unacceptable risk level.
Supplementary Pool	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.
Units	A construct representing fractions of the NAV 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.
Unitization	The process by which the unit prices and number of Units in each Pool are determined from the NAV.