

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

Effective February 10, 2021



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1.0 PURPOSE

- 1.1 This Statement of Investment Objectives, Policies, Return Expectations and Risk Management for the **Investment Portfolios**¹ of the Base Canada Pension Plan and the Additional Canada Pension Plan (“**Investment Statement**”) documents the key investment objectives, policies, standards and procedures approved by the Board of Directors (the “**Board**”) of the Canada Pension Plan Investment Board (“**CPP Investments**”) for the long-horizon Investment Portfolios of the base Canada Pension Plan (“**bCPP**”) **Account** and the additional Canada Pension Plan (“**aCPP**”) **Account**.
- 1.2 The Investment Statement has been prepared in accordance with the *Canada Pension Plan Investment Board Act* (the “**CPPIB Act**”) and the *Canada Pension Plan Investment Board Regulations* (the “**CPPIB Regulations**”).
- 1.3 The Investment Statement has been prepared with six stakeholder audiences in mind: **CPP** contributors and beneficiaries; federal-provincial **CPP Stewards**; the **CPP Investments Board**; **CPP Investments Management** and employees; agents engaged by **CPP Investments** to manage and administer **CPP Investments** assets; and the Chief Actuary of Canada (the “**Chief Actuary**”).
- 1.4 The 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, 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 The CPPIB Act specifies three objectives for **CPP Investments**:
 - (a) Assist the **CPP** in meeting its obligations to contributors and beneficiaries;
 - (b) Manage amounts transferred to **CPP Investments** in respect of **bCPP** and **aCPP** in the best interests of **CPP** contributors and beneficiaries; and
 - (c) Invest **CPP Investments**’ assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the **CPP** and the ability of the **CPP** to meet its financial obligations on any given business day.

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.

- 2.2 The policies documented in the Investment Statement and in a companion statement that governs the smaller short-horizon **Cash for Benefits Portfolios** for each of the Accounts have been designed to achieve these three objectives.

3.0 FACTORS AFFECTING THE ABILITY OF THE CPP TO MEET ITS OBLIGATIONS

- 3.1 The CPP is a target benefit plan that is designed to be self-sustaining with pension and other benefits financed solely by employee-employer contributions and investment earnings. Periodic reviews are conducted by the **Office of the Chief Actuary** at least triennially to assess the long-term sustainability (75-year projection) of CPP benefits at current statutory contribution rates, separately for each of bCPP and aCPP. If the Chief Actuary determines that the current statutory contribution rates, in combination with future investment earnings, are not sufficient to sustain either bCPP or aCPP when compared with their **Minimum Required Contribution Rates**, the applicable contribution rate(s) may be increased and/or the applicable benefits may be reduced by amendments to the **CPP Act**. Failing sufficient federal and provincial agreement to either change CPP contributions and/or benefits or explicitly confirm them, CPP contributions and benefits may be adjusted automatically in accordance with provisions specified in the CPP Act. These provisions are designed to ensure the CPP is self-sustaining across future generations.
- 3.2 The bCPP was reformed in 1997 to be partially funded using a combination of **steady-state funding**, and **incremental full funding** for any plan enhancements after 1997 (including aCPP).
- 3.3 The sustainability of both parts of the CPP is evaluated in each **Actuarial Report** using an open group asset/liability balance approach. The **Minimum Contribution Rates** for each of bCPP and aCPP are essentially the contribution rates that balance the assets of each Account (the sum of current Account investments plus the discounted present value of expected contributions) with corresponding liabilities (the discounted present value of expected expenditures), each projection including benefits and contributions for current and future participants over the next 150 years.
- 3.4 It is estimated in the 30th Actuarial Report that bCPP contributions will exceed bCPP expenditures (bCPP benefit payments plus bCPP administration expenses) in the calendar years up to and including 2021, allowing CPP Investments to re-invest all investment earnings from the **bCPP Investment Portfolio** until then to build capital to help pay bCPP benefits in subsequent years. Starting in 2022, a small percentage of investment earnings from the bCPP Investment Portfolio is expected to be required to support the payment of bCPP expenditures. By 2028, the Chief Actuary estimates that

18% of investment earnings from the bCPP Investment Portfolio will be required to support bCPP expenditures. Longer-term financing of bCPP is expected under the 30th Actuarial Report to stabilize around 2070, with total revenues each year thereafter comprising approximately 60% from contributions and 40% from net investment earnings.

- 3.5** As a plan enhancement occurring after 1997, the aCPP is targeted to be **fully funded** from inception. It is estimated in the 30th Actuarial Report that aCPP contributions will exceed aCPP expenditures (aCPP contributions plus aCPP administrative expenses) in the calendar years up to and including 2055, allowing CPP Investments to re-invest all investment earnings from the **aCPP Investment Portfolio** until then to build capital to help pay aCPP benefits in subsequent years. Longer-term financing of aCPP is expected under the 30th Actuarial Report to stabilize around 2080, with total revenues each year thereafter comprising approximately 30% from contributions and 70% from net investment earnings. This means there is a greater dependence on investment earnings for the fully funded aCPP than for the partially funded bCPP.
- 3.6** Future CPP benefits and contributions will be driven by plan and Investment Portfolios experience and by assumptions concerning a mix of demographic, economic and investment factors, each of which could increase or decrease future CPP contribution rates and/or benefits if their future values differ materially from those assumed in the Actuarial Reports. For the bCPP, investment returns are more important to contribution rates than any other single factor identified in the 30th Actuarial Report, and are comparable in importance to the combination of all other factors. For the aCPP, the 30th Actuarial Report identifies investment returns as of greater importance to future contribution rates than all other factors combined.
- 3.7** Long-term interest rates, and **risk premiums** on a variety of asset classes (notably global equities), are the underlying elements that most affect expected future investment returns for both the **bCPP Account** and the **aCPP Account**. Realized rates of return on investments that are lower than expected could lead to higher Minimum Contribution Rates required to sustain the CPP, as could the Chief Actuary's assumption in a future Actuarial Report of lower prospective rates of return on investments.
- 3.8** As regards demographic factors, fertility and life expectancy are the key factors. Lower than expected fertility would increase the bCPP Minimum Contribution Rate. Unanticipated increases in life expectancy would increase both bCPP and aCPP Minimum Contribution Rates.
- 3.9** As regards economic factors, real wage growth is the factor that most affects future contribution rates. Lower than expected real wage growth increases the bCPP Minimum Contribution Rate but reduces the aCPP Minimum Contribution Rates. With

all other assumptions held constant, higher long-term price inflation lowers the Minimum Contribution Rate for bCPP as benefits are slightly less sensitive to price inflation than earnings and contributions. Changes in future price inflation have a relatively small impact on the Minimum Contribution Rates for aCPP.

- 3.10** CPP Investments decisions on diversification of asset classes and underlying return-risk factor exposures may substantially affect investment earnings for both the bCPP Investment Portfolio and the aCPP Investment Portfolio. Investment returns of each of the two broadly diversified Investment Portfolios will be determined primarily by overall capital market returns, as applied to each Investment Portfolio’s allocation of assets among the primary asset classes. CPP Investments decisions on individual investment selections and strategic positioning may also materially affect investment returns.

4.0 REFERENCE PORTFOLIOS AND TOTAL RISK TARGETING

- 4.1** CPP Investments establishes a **Reference Portfolio** for each of the Investment Portfolios. Each Reference Portfolio notionally consists of a diversified portfolio of publicly traded securities that could be readily implemented using a low-cost passive investment program. For each Investment Portfolio separately, the equity/debt weights of its Reference Portfolio are set to target a long-term risk level that (i) is deemed appropriate in seeking to maximize long-term returns, (ii) is not considered undue, and (iii) has regard to the factors affecting the funding of the bCPP or the aCPP, as applicable. These three considerations reflect the objects for CPP Investments set out in the CPPIB Act. The assessment of “undue” risk, including potential losses, **liquidity** requirements and ongoing sustainability of the CPP, is explicitly proposed by Management and agreed annually by the Board’s approval of the Integrated Risk Policy.
- 4.2** A distinct Reference Portfolio is established for each Investment Portfolio primarily because of the difference in the funding of bCPP and aCPP, and their resultant different longer-term sensitivities to investment returns.
- 4.3** The market risk of each Investment Portfolio, expressed in equity/debt risk equivalence terms, is maintained within a Board–approved range around its Reference Portfolio. Each Reference Portfolio, and each of the more broadly diversified and actively managed Investment Portfolios, is expected to earn capital market returns over the long term that will help sustain bCPP and aCPP at their respective current legislated contribution rates under the current assumptions of the Chief Actuary, while also mitigating to some extent the risk of adverse adjustments to bCPP and aCPP as estimated by CPP Investments.

4.4 The Reference Portfolios stated in Exhibit 1 below are approved by the Board for fiscal years 2022 through 2024².

Reference Portfolios	Exhibit 1	
	bCPP	aCPP
Equity		
Global Public Large/Midcap Equity (including Emerging Markets)	85%	55%
Debt		
Canadian Federal and Provincial Governments Nominal Bonds	15%	45%

4.5 The composition of each Reference Portfolio is reviewed by CPP Investments at least triennially, in the fiscal year following the publication of each triennial Actuarial Report on the CPP by the Office of the Chief Actuary.

5.0 DIVERSIFICATION AND ASSET MIX

5.1 Prudent global diversification of each Account’s Investment Portfolio, by asset classes, underlying return-risk factors, geographic exposures, currencies and active management strategies, provides both diminution of long-term total portfolio risk and broad access to the worldwide range of investment opportunities for generation of long-term returns. These characteristics can be achieved equitably for each Account through its respective holdings in two **unitized pools** internally established and maintained by CPP Investments: the globally diversified **Core Pool** and the fixed income **Supplementary Pool**. CPP Investments achieves the distinct targeted risk level and appropriate return-risk exposures for each Account by appropriately allocating the assets of each Account between the two Pools.

The majority of the non-fixed income portion of each Investment Portfolio is expected to be invested outside Canada. This greatly reduces dependence of portfolios’ returns on the Canadian economy, thus mitigating the risk of exposure to adverse Canadian economic conditions and their impact on the CPP through lower than expected wage growth and contribution inflows.

² The aCPP Reference Portfolio will transition from its previous weights (50% Equity/50% Debt) to the weights shown in Exhibit 1 over the first quarter of fiscal 2022. The transition will be complete on July 1, 2021.

- 5.2** Foreign currency exposures in the Investment Portfolios are generally not hedged back to Canadian dollars, as over time the diversity of currency exposures mitigates longer-term risks. As a result, a significant portion of each Investment Portfolio is exposed to currency exchange rate movements in a mix of both developed and emerging markets. This currency exposure policy protects against the risks of exposure to a single currency, the Canadian dollar, with its strong dependence on the price of oil and other commodities. This policy also avoids the significant costs associated with currency hedging.
- 5.3** Each Investment Portfolio is invested across the following asset classes/strategies:
- Public Equity
 - Private Equity
 - Fixed Income (high quality governments’ nominal bond issues)
 - Credit Investments (private debt including mortgages on properties, and publicly-traded fixed income other than high quality government bonds)
 - Real Assets (public and private, including real estate ownership, infrastructure, natural resources, energy and renewables)
 - Cash (including controlled external financing used to enhance liquidity, to expand the invested asset base, and to allow enhanced diversification) and Absolute Return Strategies
- 5.4** Current targets for **Strategic Portfolio** composition five years and beyond for each Investment Portfolio are the following approximate allocations shown in Exhibit 2:

Strategic Portfolio Composition		Exhibit 2	
	Base CPP	Additional CPP	
Asset Class	% of total	% of total	
Public Equity	23	14	
Private Equity	23	14	
Fixed Income	32	39	
Credit Investments	17	31	
Real Assets	31	19	
Cash and Absolute Return Strategies	(27)	(16)	
Geographic Region	% of total	% of total	
Canada	8%	44%	
Developed Markets excluding Canada	59%	37%	
Emerging Markets	33%	19%	

Actual compositions of the Investment Portfolios will vary from the above weights within Board-approved limits as markets and asset values fluctuate, and as CPP Investments reviews its target asset allocations annually.

- 5.5 Strategic Portfolios allocations are reviewed by CPP Investments at least triennially, in line with review of the Reference Portfolios as described in section 4.5.

6.0 RETURN EXPECTATIONS

- 6.1 Based on historical experience and reasonable future return expectations, each Reference Portfolio has a long-term expected return that is higher than the minimum rate of return required to sustain each of bCPP and aCPP at its current legislated contribution rates under the corresponding assumptions in the 30th Actuarial Report.
- 6.2 Over the long term and net of all investment costs and allocated CPP Investments operating expenses, the more broadly diversified and actively managed Investment Portfolio for each Account is expected to outperform the returns on its corresponding Reference Portfolio without undue risk of loss. The expected and actual returns on each Reference Portfolio are accordingly used as benchmarks to evaluate performance of the corresponding Investment Portfolio and hold CPP Investments Management accountable for its portfolio and risk management decisions, with a focus on results over rolling five-year periods.
- 6.3 Over short- and medium-term periods Investment Portfolio returns can and will deviate significantly from long-term expectations – both positively and negatively – and the Board has taken account of this in approving the Risk Targets and Limits expressed within the **Integrated Risk Policy**.

7.0 INVESTMENT CATEGORIES

- 7.1 CPP Investments can invest in the securities or assets of any issuer or business that would be lawful if carried on in Canada and if the investment is not prohibited by the CPPIB Act and CPPIB Regulations. Exhibit 3 is a non-exhaustive list of the range of investment categories in which CPP Investments does or could invest.

Illustrative Range of Investment Categories			Exhibit 3
Public Market Investments (direct holdings, separate portfolios and funds, of publicly-traded securities)	Real Assets (direct, joint ventures, and funds)	Private Equity Investments (direct, partnerships, joint ventures and funds)	Credit Investments (direct, separate portfolios and funds)
<ul style="list-style-type: none"> • Equity and debt securities in developed and emerging markets • Mortgage-backed securities • Insurance-linked securities • Currencies • Commodity futures • Exchange and/or over-the-counter traded derivatives 	<ul style="list-style-type: none"> • Infrastructure assets • Commercial real estate, both income-producing and in development • Energy and resources • Power and renewables 	<ul style="list-style-type: none"> • Direct private equity ownership interests • Private equity fund interests • Secondary limited partnership interests 	<ul style="list-style-type: none"> • Public and private corporate debt securities and loans • Intellectual property royalties

8.0 DEBT ISSUANCE

- 8.1 In order to enhance or ensure liquidity within the Investment Portfolios, and to optimize portfolio diversification while achieving the targeted risk level for each Investment Portfolio through the prudent and controlled use of leverage, from time to time CPP Investments may create, issue, certify and deliver various forms of indebtedness either directly or through a dedicated subsidiary.
- 8.2 CPP Investments or its dedicated subsidiaries may also undertake indebtedness related to specific investments.
- 8.3 CPP Investments may provide a guarantee in respect of any such indebtedness issued by a dedicated subsidiary.

9.0 MANAGING MARKET, CREDIT AND OTHER FINANCIAL RISKS

- 9.1 The Board establishes a primary measure of total absolute risk related to potential size of losses, integrating market, credit and counterparty risks into a **Market and Credit Risk** measure- (herein referred to as “Market risk”). As described in Section 4, for risk

targeting and monitoring, the Market risk of each Investment Portfolio is expressed as the equity/debt ratio in percentage terms of a simple portfolio comprising only the two asset classes of the corresponding Reference Portfolio that has the same measured Market risk as the applicable Investment Portfolio.

- 9.2 The Board reviews and approves annually Market Risk **Limits** for each Investment Portfolio, expressed in equity/debt risk equivalency terms. CPP Investments Management has discretion to make and implement investment decisions while holding the equity/debt equivalency ratio of each Investment Portfolio within its Market Risk Limits, with the dual objectives of maximizing long-term net returns and earning net returns above the corresponding Reference Portfolio.
- 9.3 The Market Risk Limits are wide enough to accommodate normal markets-driven daily variation in the risk of the Investment Portfolios, and to permit CPP Investments Management the flexibility to achieve the absolute return and value-added objectives established by the Board. If CPP Investments Management believes that market circumstances or investment opportunities warrant a variation in risk level outside the Market Risk Limits for either Investment Portfolio, then prior approval must be sought from and provided by the Board (with the exception of de minimis variances which can be approved by the CEO).
- 9.4 CPP Investments Management monitors and manages all investment risks (including market risk, credit risk and other exposures) on a daily basis, and rebalances tradeable investment holdings within each of the Pools from time to time to achieve overall targeted exposures to return-risk factors and remain within established risk limits. CPP Investments Management may also rebalance each Account's holdings of **Units** of the Pools to maintain the intended allocation for each Investment Portfolio.
- 9.5 Market risk is mitigated and managed by diversifying across different asset classes, currencies, factor exposures and investment strategies such that the Investment Portfolios are not imprudently exposed to any single unexpected event or set of directly related events. In addition, accepted risk management practices and analytical tools, including **Value-at-Risk** and stress testing methodologies, are used to measure, monitor and evaluate prospective performance of each Investment Portfolio under different market conditions.
- 9.6 Individual investment transactions, and external manager appointments, that would exceed Board-established dollar limits or meet other Board-approved criteria must be approved by the Board before being implemented.

- 9.7 CPP Investments Management reports total absolute risk exposures, as well as the contributing exposures to market, credit and other financial risks, to the Board at least quarterly or more frequently as required.
- 9.8 Treatment of policy and limit breaches and escalation procedures in relation to this Investment Statement are contained in the Integrated Risk Policy approved annually by the Board.

10.0 VALUATION OF ASSETS

- 10.1 **Fair values** of publicly traded liquid assets are determined using publicly quoted prices.
- 10.2 Fair values of publicly traded illiquid assets are determined using publicly quoted prices where available. Where publicly quoted prices are not available, fair value estimates are generated by internal models and compared with fair value estimates reported by external managers or brokers. Such assets might include **derivatives**, structured instruments or long-dated transactions.
- 10.3 Valuations of non-traded private assets are reviewed quarterly and adjusted if there is evidence of a significant change in fair value.
- 10.4 CPP Investments recognizes that valuations of assets that are not regularly traded are inevitably based on judgment and are therefore inherently uncertain. Where quoted market prices are not available, valuation of non-traded private assets are primarily based on fair value estimates reported by external asset managers or valuations provided by external parties. Internal valuations are prepared for all assets that do not require an external valuation.
- 10.5 All fair value estimates are determined using accepted industry valuation methods under the International Financial Reporting Standards and are reported by hierarchy level for all classes of assets in CPP Investments' Annual Report.

11.0 RESPONSIBLE INVESTING AND PROXY VOTING

- 11.1 Under its Policy on Sustainable Investing, CPP Investments is committed to encouraging companies and organizations to adopt policies and practices that enhance their long-term financial performance, in particular responsible corporate and organizational behaviour with respect to environmental, social and governance ("ESG") factors including climate change. CPP Investments believes that companies that manage these factors effectively are more likely to create value over the long term, recognizing that the materiality of ESG factors and their impact varies across industries and geographies.
- 11.2 CPP Investments encourages responsible behaviour in the entities underlying our investments. CPP Investments engages with companies, either directly or in

collaboration with like-minded investors, as an effective means through which investors can influence positive change and enhance long-term financial performance. In general, CPP Investments believes that corporate engagement, and integration of ESG factors into the evaluation and management of both public and private investments, usually better conform with CPP Investments' investment objectives than simply excluding companies through screening criteria.

- 11.3** Shareholder voting rights have economic value, and share voting can also positively impact returns by constructively influencing corporate behaviour and performance. CPP Investments exercises its voting rights in a manner that is consistent with its Proxy Voting Principles and Guidelines and its Policy on Sustainable Investing. CPP Investments may exercise judgment in connection with the voting of any proxy on a case-by-case basis.
- 11.4** For more details, see "Policy on Sustainable Investing" and "Proxy Voting Principles and Guidelines", both available at www.cppinvestments.com.

12.0 DERIVATIVES

- 12.1** CPP Investments may use derivatives to achieve its portfolio management objectives, including strategies to achieve intended market, credit, interest rate and currency exposures, mitigate and manage risks, reduce costs, increase expected returns, increase cash liquidity or diversify financing and investing alternatives available to each Investment Portfolio and Pool.
- 12.2** The fair values, notional amounts and contractual maturities of all derivatives financial instruments are disclosed in the CPP Investments Annual Report.

13.0 LIQUIDITY

- 13.1** CPP Investments manages liquidity to ensure that each Account always has the cash needed to pay its respective share of CPP's current financial obligations.
- 13.2** The CPP provides its monthly liquidity requirements to CPP Investments, which manages the Cash for Benefits Portfolio of each Account so that the CPP can meet its financial obligations on any given business day. For more details, see "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" available at www.cppinvestments.com.
- 13.3** CPP Investments further manages liquidity of the Investment Portfolios through policies and practices designed to ensure sufficient liquidity in the Pools at all times to

meet anticipated requirements of the Cash for Benefits Portfolios; meet any collateral, margin or mark-to-market requirements of derivatives or other contracts; fund investment transactions; and readily permit changes in the composition of the Pools necessary to achieve or maintain intended exposures and risk levels.

14.0 SECURITIES LENDING

14.1 CPP Investments may lend securities (other than under the “agency model”), subject to sufficient collateral requirements, to generate additional income for the Investment Portfolios or otherwise support investment strategies.

15.0 RELATED PARTY TRANSACTIONS

15.1 Except as specified in section 15.2, CPP Investments shall not directly or indirectly enter into a transaction with a **related party**.

15.2 CPP Investments may enter into a transaction with a related party if:

- (a) The transaction is required for the operation or administration of CPP Investments and the terms and conditions of the transaction are not less favourable to CPP Investments than market terms and conditions;
- (b) The transaction is in securities of the related party and they are acquired on a public exchange; or
- (c) The value of the transaction is nominal.

In assessing whether the value of a transaction is nominal, reference shall be made to any relevant generally accepted accounting principles that provide guidance on materiality. Two or more transactions with the same related party in any twelve-month period shall be considered a single transaction.

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 CPP Investments operating expenses.
aCPP Investment Portfolio	The long-horizon portfolio of investments within the aCPP Account.
Actuarial Report	The report prepared at least every three years by the Office of the Chief Actuary to evaluate the sustainability of the CPP over a 75-year projection period.
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).

bCPP Investment Portfolio	The long-horizon portfolio of investments within the bCPP Account.
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 the bCPP Cash for Benefits Portfolio or the aCPP Cash for Benefits Portfolio, as applicable.
Chief Actuary	The person responsible for the content and actuarial opinions in reports on the CPP prepared by the Office of the Chief Actuary.
Core Pool	A unitized pool of investments designed to deliver the bCPP Investment Portfolio’s desired exposures and a portion of the aCPP Investment Portfolio’s desired exposures.
CPP	The Canada Pension Plan.
CPP Act	<i>The Canada Pension Plan, R.S.C., 1985, c. C-8, as amended to date.</i>
CPP Investments	The Canada Pension Plan Investment Board.
CPPIB Act	<i>The Canada Pension Plan Investment Board Act, S.C. 1997, c. 40 and associated Regulations, as amended to date.</i>
CPPIB Regulations	<i>The Canada Pension Plan Investment Board Regulations, SOR/99-190, as amended to date.</i>
Derivative	A financial instrument, either exchange-traded or over-the-counter, the price of which is derived from the value of one or more underlying securities or indexes.
Fair Value	The price that an interested buyer would be willing to pay and an interested seller would be willing to accept in an arm’s length transaction between knowledgeable parties who are under no compulsion to act.
Fiscal Year	For CPP Investments, the 12-month period ending on March 31 of the stated year.

Full Funding, Fully Funded	The financing objective for the aCPP stated in the CPP Act, that projected aCPP contributions at a constant rate together with projected investment income are sufficient to fully pay the projected expenditures of the aCPP over the foreseeable future.
Incremental Full Funding	Any changes to CPP benefits after 1997 that increase or add new benefits are to be fully funded by a permanent increase in contribution rates plus a temporary increase to fully pay for any resulting unfunded accrued liability that is created.
Investment Portfolios	The bCPP Investment Portfolio and the aCPP Investment Portfolio collectively, and “ Investment Portfolio ” means either the bCPP Investment Portfolio or the aCPP Investment Portfolio, as applicable.
Liquidity	Exists when an asset is readily converted or convertible into cash, or when sales of the asset can occur in sufficient size and timeliness without materially affecting its market price.
Management	Officers or employees of CPP Investments who have been given responsibilities for portfolio/risk management, reporting or internal controls.
Market and Credit Risk	A combined risk category that captures investment losses arising from: (a) fluctuations in market prices and rates, which include equity prices, interest rates, currency exchange rates and credit spreads; and (b) loss in value due to factors driving the risk of permanent impairment, which include losses due to defaults and credit rating migrations, and counterparty exposure where CPPIB assumes indirect exposure to counterparty defaults via “over-the-counter” derivative transactions.
Minimum Contribution Rate	For each of bCPP and aCPP, the proportion of earnings covered by the CPP that is required to be contributed by employers/employees in order to sustain each of the bCPP and the aCPP, as applicable, over the 75-year projection period, assuming best estimate actuarial projections by the Office of the Chief Actuary.
NAV	The Net Asset Value of a Pool, which is the sum of current fair values of all assets in the Pool minus all liabilities of that Pool.

Nominal Bonds	Bonds that pay interest and principal without adjustments for inflation.
Office of the Chief Actuary	Within the Office of the Superintendent of Financial Institutions Canada, the department that provides actuarial and other services to the Government of Canada and provincial governments who are CPP stakeholders.
Pool	The Core Pool or the Supplementary Pool, as applicable, and Pools refers to the Core Pool and the Supplementary Pool collectively.
Reference Portfolios	The representative portfolios of diversified publicly traded securities that are designed to represent the degree of long-term total absolute risk for each of the Investment Portfolios that CPPIB believes is appropriate to meet its legislated objective
Related Party	<p>CPPIB Regulations define related parties as:</p> <ul style="list-style-type: none"> (a) a director, officer or employee of CPP Investments, (b) a person responsible for holding or investing the assets of CPP Investments, or any officer, director or employee of the person, (c) the spouse or a child of any person referred to in paragraph (a) or (b), (d) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (c), or (e) an entity in which a person referred to in paragraph (a), (b) or (c) has a substantial investment. <p>Related parties do not include Her Majesty in right of Canada or of a province, or an agency of either one, or a bank, trust company or other financial institution that holds the assets of CPP Investments.</p>
Risk Policy	The Integrated Risk Policy sets out the elements of the risk governance framework.
Risk Premium	The additional return that a risky asset is expected to earn over the return available from a lower-risk asset to compensate for the increased likelihood and/or size of potential losses.

Securities Lending	The temporary loan of a security from a lender to a borrower to support the investment and financial objectives of each.
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.
Steady-State Funding	The level of funding required to sustain the bCPP when assessed on a long-term (150 years) open-group basis, for which the ratio of projected bCPP assets to expenditures is also generally stable over a 50-year period commencing 12 years following the effective date of the Actuarial Report.
Stewards	The federal and provincial Ministers of Finance in Canada who review both CPP's financial state and the reports of the Chief Actuary, and make recommendations as to whether CPP benefits and/or contribution rates should be maintained or changed.
Strategic Portfolio(s)	The representative portfolios that express preferred long-term (five-plus year) investment allocations levels to a set of asset and geographic exposure categories for each of the Investment Portfolios, as approved by the Board.
Total Fund, Fund	The sum of the bCPP Account and the aCPP Account.
Units	A construct representing fractions of a Pool NAV 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. Each of the bCPP Investment Portfolio and the aCPP Investment Portfolio is returned the performance of its fraction of the total number of Units in the applicable Pool.
Unitization	The process by which the Unit Prices and number of Units in each Pool are determined from the NAV.
Unitized Pool	An investment vehicle whose NAV is determined at a given frequency and in which the Accounts invest at a given Unit Price.
Unit Price	The NAV of a Pool divided by the total number of Units of that Pool then outstanding.

Value-at-Risk (VaR)

An estimate of the minimum size of severe potential loss in value of a portfolio or security evaluated at a specific level of likelihood over a defined holding period.