

2010

ANNUAL REPORT
SUMMARY

PRESIDENT'S MESSAGE

DAVID F. DENISON

PRESIDENT AND CHIEF EXECUTIVE OFFICER



The CPP Investment Board's mandate is to help sustain the Canada Pension Plan for future generations. Accordingly, we need to incorporate a long-term perspective within our mission and investment strategy – never was maintaining this perspective more important than during the past two years.

The CPP Fund had one of its highest-ever annual returns in fiscal 2010 at 14.9%, producing investment income of \$16.2 billion. These results were driven in large part by strong public equity returns as the broader economy responded to global stimulus efforts. Together with CPP contributions of \$6.1 billion, the Fund increased in value after costs by \$22.1 billion in fiscal 2010 to end the year at \$127.6 billion.

This marked a sharp turnaround from fiscal 2009 when global equity markets plunged and credit markets – the lifeblood of the global economy – seized up almost entirely following the bankruptcy of Lehman Brothers in the fall of 2008.

Faced with these unprecedented market conditions and the CPP Fund's negative returns in fiscal 2009, at the outset of this past year CPPIB's board and management challenged our assumptions about long-term capital market returns and the composition of the CPP Fund. As our Chair Bob Astley recounts in his letter, this resulted in the reaffirmation of our convictions and our strategy, and maintaining our strategic asset weightings, including our 65% weighting to equities.

As the 14.9% return indicates, this reaffirmation of our strategic asset weightings served the CPP Fund well in fiscal 2010. However, our decision was certainly not based upon any expectation that markets would rise so dramatically in the short term. Rather, it reflected a renewed commitment to a very clear long-term strategy from which we haven't altered course. That strategy is rooted in the multi-generational nature of our mandate and our comparative advantages as an investor.

These comparative advantages include our ability to act as a long-term investor, the relative certainty of both our asset base and the amount and timing of the future cash inflows to the Fund, and the size of our portfolio. In this latter case, the relatively large size of the Fund provides the scale to build sophisticated investment capabilities together with the financial resources needed to capitalize on investment opportunities that are beyond the reach of many other investment organizations.

These structural advantages are augmented by what we call our Total Portfolio Approach to making investment decisions. We describe this in greater detail in the Management's Discussion and Analysis section of this report, but in essence it enables us to look through an asset's label (e.g. real estate or private equity) and focus instead on its fundamental underlying risk and return attributes.

In the aggregate, these are a powerful set of advantages that give us confidence that our active management strategy which incorporates them will benefit the CPP Fund over the long term. They also allow us to look beyond short-term market cycles, deal with market volatility better than the vast majority of market participants, stay focused on our long-term investment objectives, and take advantage of opportunities as they arise.

CAPITALIZING ON OPPORTUNITIES

This ability to capitalize on opportunities because of our comparative advantages was one of the defining themes of fiscal 2010 for the CPPIB. At a time when many investors altered their investment strategies or were forced to the sidelines due to capital or liquidity constraints, our deep and experienced investment teams were hard at work completing a number of significant transactions, among them:

- Acquiring Macquarie Communications Infrastructure Group, a \$2.1 billion transaction involving a diversified portfolio of infrastructure assets in Australia and the U.K. with very stable cash flows;
- Partnering with TPG Capital to acquire IMS Health, the world's largest provider of market intelligence to the pharmaceutical and health care industries, for \$5.2 billion; and
- Joining with Silver Lake Partners and other investors to acquire a majority stake in Skype in a transaction that valued the company at \$2.8 billion.

These three investments were among the five largest private investment transactions completed across the globe in calendar 2009.

Other investments of note completed during fiscal 2010 were:

- Our first real estate investment in Brazil, a joint venture with Cyrela Commercial Properties to develop, acquire and manage commercial real estate properties primarily in São Paulo and Rio de Janeiro;
- Our first Canadian co-sponsored private equity transaction alongside Sterling Capital Partners to acquire Livingston International Income Fund, a Canadian market leader in cross-border logistics; and
- Our first public market Relationship Investments transaction entailing a \$350 million private placement in Progress Energy Resources, a leading natural gas exploration and development company based in Calgary.

In all cases we believe these investments will generate attractive investment returns for the CPP Fund over the span of many years.

PERFORMANCE

As noted previously, the CPP Fund's return of 14.9% for fiscal 2010 represents one of the highest levels of performance in the Fund's history and we provide a breakdown of this result later in this report. However, while we measure and report annual returns, what is of most importance to a multi-generational plan such as the CPP is performance over longer periods of time. In that regard, the CPP Fund has earned annualized investment returns of 4.0% and 5.5% for the five- and 10-year periods ended March 31, 2010. In dollar terms, cumulative investment returns amounted to \$18.5 billion and \$39.3 billion over these same periods.

These five- and 10-year returns are disappointing in that they both lag the estimated nominal 6.2% rate (or annualized 4.2% return after inflation that is assumed by the Chief Actuary in his valuation of the CPP). Our five- and 10-year returns of course span the decade of the 2000s, which unfortunately represents the worst calendar decade of performance for equity markets in the nearly 200 years of recorded stock market history. If we look back over the past 25 years, for example, a fund identical in composition to the CPP Reference Portfolio would have produced returns in excess of the 4.2% target in every trailing 10-year period prior to 2008. Consequently, as we look ahead, while we do not by any means assume repeated annual investment returns of 14.9% such as in fiscal 2010, we do believe that with the Fund's current composition and reasonable capital market returns, we will be able to generate the average 4.2% return after inflation that is required to sustain the CPP at its current contribution rate over longer periods of time.

Another important element of performance is how our value-added investment strategy has performed relative to the CPP Reference Portfolio, which serves as our key total Fund performance benchmark. Once again, while we measure and report results annually, our key accountability time frame incorporates cumulative performance over trailing four-year periods; it is these four-year results that are incorporated into CPPIB's incentive compensation programs. For fiscal 2010, our actual returns underperformed the CPP Reference Portfolio by 587 basis points (5.87%). Cumulative four-year value-added returns for the period ending March 31, 2010, underperformed the CPP Reference Portfolio by 34 basis points (0.34%). This is also a disappointing result because the key objective of our active management strategy is to produce value-added returns relative to the CPP Reference Portfolio over longer periods of time.

One key factor influencing both overall Fund returns for fiscal 2010 and the calculation of the value-added return over that same time period is an inherent valuation lag between our public and private market holdings. We now have over 25% of the CPP Fund's holdings invested in private assets including private equity, real estate, infrastructure and private debt. In contrast to public market holdings, which are of course valued in accordance with daily observable market prices, our private holdings are typically valued comprehensively only once a year using independently verified appraisal practices.

In our experience, especially during a period where public equity markets have increased as rapidly as they have over these past 12 months, it takes additional time for appraised values to catch up to these public market levels. We recognize that investing in private market assets has had a negative near-term impact on value-add returns, but believe without qualification that this is the right strategy for delivering the kinds of returns needed to help sustain the plan over the longer term. We are confident that our private holdings will perform very well over the coming years and provide considerable value to the CPP Fund consistent with our long investment horizon.

OPERATIONAL HIGHLIGHTS

Over the past five years we have been systematically building an organization with deep investment experience, superior technology and operational capabilities, an international presence and a high-performance culture.

During fiscal 2010, we strengthened our leadership team with a number of internal appointments and key hires across the organization. Notably, the appointments of Mark Wiseman as Executive Vice-President, Investments, Don Raymond as Senior Vice-President and Chief Investment Strategist, and André Bourbonnais as Senior Vice-President, Private Investments reflect the ongoing evolution of the CPP Investment Board's organizational structure as well as the depth of talent we have within the organization. This talent was further augmented by the 76 outstanding new employees who joined the CPPIB during 2010. At year end, the CPPIB had a complement of 566 employees, including 21 and 11 in our London and Hong Kong offices respectively.

A key goal for fiscal 2010 was to complete our multi-year initiative to insource our critical portfolio accounting, performance-measurement and analytics technologies and to assume primary responsibility for all our investment operations activities. This was an extremely complex undertaking, and I am very pleased to confirm that it was completed as planned by March 31, 2010, for full cutover and implementation at the start of our fiscal 2011 year. We will continue to enhance these systems and processes as we work through fiscal 2011, but we are now well positioned to fully control our end-to-end investment processes, enhance our analytical and decision-making capabilities and handle the increasing size and complexity of the CPP Fund.

OUTLOOK

Our priorities for the year ahead will be to continue building the strength of our organization and taking advantage of investment opportunities to create long-term value for the CPP Fund. We will also continue to provide our perspectives on important public policy discussions underway in Canada and globally with respect to retirement savings systems, corporate governance and responsible investing, as well as pension plan governance and operating models.

I want to thank the CPP Investment Board's board of directors, employees and external partners for your invaluable contributions over the past year and in the months and years to come. I would especially like to thank John Ilkiw who retired from the CPP Investment Board effective March 31, 2010, after leading our Portfolio Design and Investment Research area for almost five years. We have all benefited greatly from John's vast experience, insights and passion for the CPP Investment Board's mission and we wish him well in his retirement years.

The recent passing of Germaine Gibara is a very sad occurrence for all of us at the CPP Investment Board. We have lost a very valued board member who was a great contributor to the development of our organization.

In closing, I can affirm that all of us within the CPP Investment Board are proud of the work we are doing to help sustain the CPP for future generations, and we remain very confident in the Fund's success.



DAVID F. DENISON

PRESIDENT AND CHIEF EXECUTIVE OFFICER

KEY CORPORATE OBJECTIVES FOR FISCAL 2010

OBJECTIVES

<p>BROADEN DIVERSIFICATION OF CPP FUND</p> <p>Utilize the ability of an experienced team to capitalize on significant investment opportunities to diversify the Fund and generate attractive returns over the long term.</p>	<p>BUILD INTERNAL CAPABILITIES</p> <p>Continue to strengthen our leadership team through internal appointments and the hiring of key staff across the organization.</p>	<p>ADVANCE TECHNOLOGY AND BUSINESS PROCESSES</p> <p>Execute on multi-year plan to establish in-house capabilities allowing us to fully control our end-to-end investment processes, and to take advantage of a platform able to handle the CPP Fund's increasing size and complexity.</p>	<p>GENERATE VALUE-ADDED RETURNS</p> <p>Generate returns over rolling four-year periods that outperform the CPP Reference Portfolio which represents a strategic alternative and benchmark for the CPP Fund.</p>
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HIGHLIGHTS

<ul style="list-style-type: none"> • Completed \$2.1 billion acquisition of Macquarie Communications Infrastructure Group, a diversified portfolio of assets in Australia and the U.K. with very stable cash flows. • Partnered with TPG Capital to acquire IMS Health, the world's largest provider of market intelligence to the pharmaceutical and health care industries. • Joined Silver Lake Partners and other investors to acquire a majority stake in Skype. • Completed first real estate investment in Brazil, a commercial property ownership and management joint venture with Cyrela Commercial Properties. • Executed first Canadian co-sponsored private equity transaction with Sterling Capital Partners to acquire cross-border logistics leader Livingston International Income Fund. • Carried out first public market Relationship Investments transaction through \$350 million private placement in Calgary-based natural gas exploration and development firm Progress Energy Resources. 	<ul style="list-style-type: none"> • Key senior-level management team members were given new and increased areas of responsibility, reflecting the ongoing evolution of our organizational structure and the depth of our talent. • Added to our strong team with 76 new employees – 34 in our investment teams and the remainder largely in information technology, investment finance and operations. At year end, had 566 employees: 534 in our Toronto office, 21 in London and 11 in Hong Kong. 	<ul style="list-style-type: none"> • Completed an extremely complex initiative on schedule, allowing us to in-source our critical portfolio accounting, performance and analytics technologies. • Assumed primary responsibility for all our investment operations activities. 	<ul style="list-style-type: none"> • Value-added returns underperformed the CPP Reference Portfolio by 587 basis points, or 5.87%, in fiscal 2010. • Cumulative four-year value-added returns were -34 basis points. • Recovery in the value of private market holdings lagged behind those in the public equity markets, which rebounded dramatically in fiscal 2010. • CPPIB's strong portfolio of private assets is expected to perform very well over the coming years and provide considerable value to the CPP Fund.
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PERFORMANCE

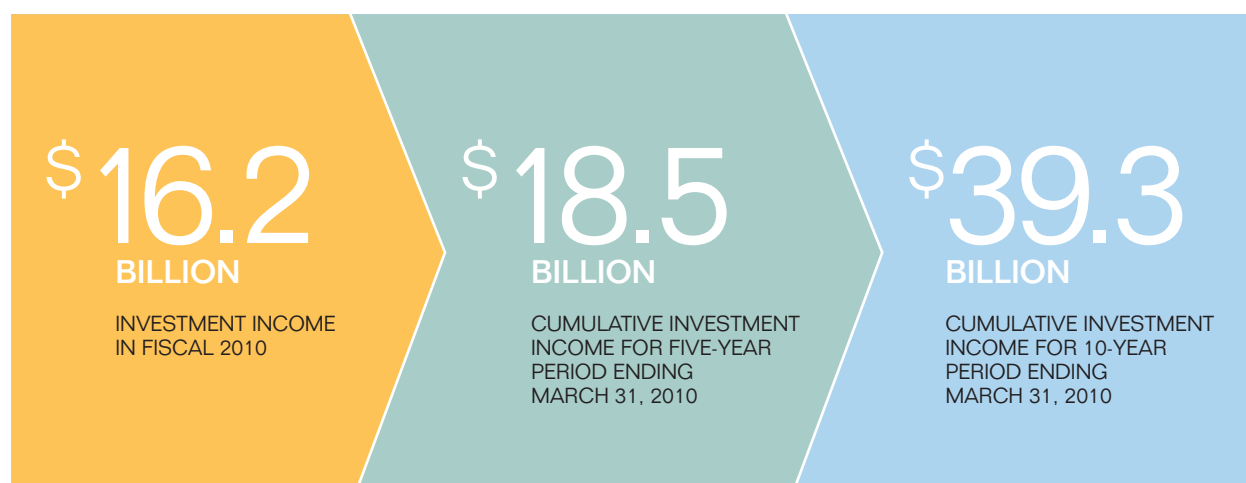
The CPP Fund delivered one of its highest-ever annual returns in fiscal 2010. This was driven in large part by strong public equity returns as the broader economy responded to global stimulus efforts. During a period of dramatic market volatility, our value-added returns underperformed the CPP Reference Portfolio. We remain confident in our investment model and that the significant embedded value of our asset portfolio will be realized over time.

FINANCIAL HIGHLIGHTS

(\$ BILLIONS)	2010	2009
TOTAL CPP FUND	127.6	105.5
TOTAL CPP FUND INCREASE	22.1	(17.2)
INVESTMENT INCOME (NET OF OPERATING EXPENSES)	16.0	(23.8)
CPP NET CONTRIBUTIONS	6.1	6.6

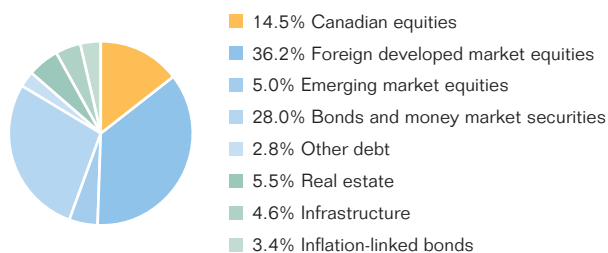
CPP FUND

\$127.6 BILLION TOTAL CPP FUND
 \$22.1 BILLION TOTAL CPP FUND INCREASE
 14.9% ONE-YEAR RATE OF RETURN



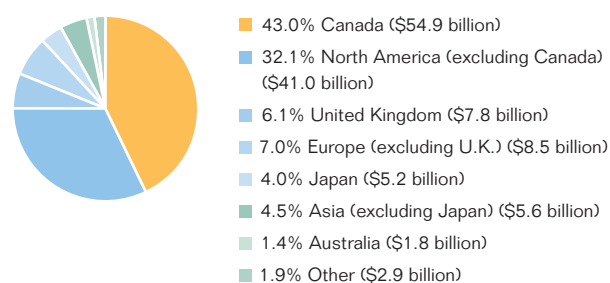
CPP FUND ASSET MIX

AS AT MARCH 31, 2010



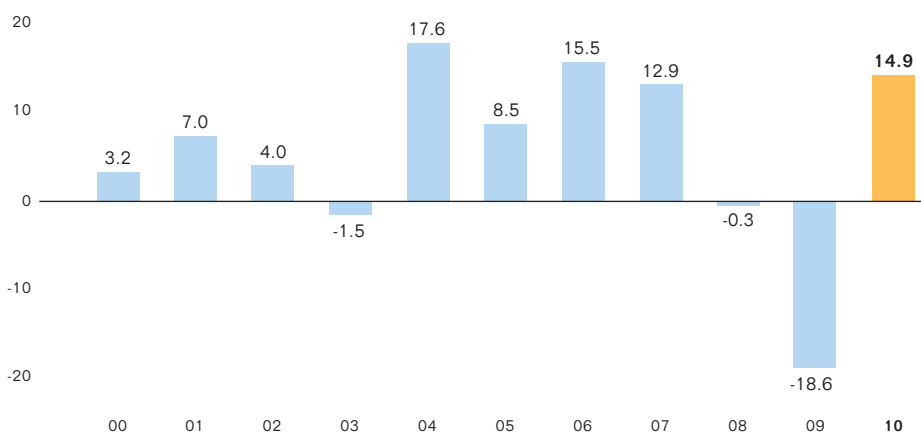
GLOBAL DIVERSIFICATION

AS AT MARCH 31, 2010



RATE OF RETURN

FOR THE YEAR ENDED MARCH 31 (%)



CPP FUND RETURNS¹

ASSET CLASS	Fiscal 2010	Fiscal 2009
Canadian public equities	43.7%	-32.3%
Canadian private equities	13.1%	-7.8%
Public foreign developed market equities	24.7%	-29.7%
Private foreign developed market equities	-9.4%	-17.8%
Public emerging market equities	45.9%	-32.6%
Private emerging market equities	-4.3%	-13.7%
Bonds and money market securities	6.1%	5.4%
Other debt	63.0%	-30.3%
Foreign sovereign bonds ²	2.1%	-
Public real estate	19.3%	-43.7%
Private real estate	-11.8%	-14.0%
Infrastructure	-6.5%	-5.0%
Inflation-linked bonds	11.3%	-0.6%
Total CPP Fund³	14.9%	-18.6%

¹ Investment results by asset class are reported on an unhedged Canadian dollar basis, since any hedging takes place at the total CPP Fund level. Results are reported on a time-weighted basis.

² New to the CPP Reference Portfolio in fiscal 2010.

³ Total CPP Fund return in fiscal 2010 includes a \$180 million gain from hedging activities and \$58 million gain from other external active programs.

INVESTMENTS

The ability to capitalize on a number of significant investment opportunities was a defining theme for CPPIB this year. Our long time horizon, distinct investment approach, available capital and specialized investment expertise allowed us to capitalize on significant investment opportunities that we believe will benefit the Fund for the long term. In 2009 we participated in three of the world's largest private investment transactions: IMS Health, Skype Technologies and Macquarie Communications Infrastructure Group.

14 TOTAL NUMBER OF COUNTRIES IN WHICH WE HAVE PRIVATE HOLDINGS

123 INVESTMENT PARTNERS

\$7 BILLION IN INVESTMENTS IN PRIVATE ASSETS IN FISCAL 2010

SIGNIFICANT TRANSACTIONS IN FISCAL 2010

PARTICIPATED IN LARGEST PRIVATE EQUITY TRANSACTION IN CALENDAR 2009
IMS Health Inc.

OUR FIRST REAL ESTATE INVESTMENT IN BRAZIL
Cyrela Commercial Properties

OUR FIRST CANADIAN PRIVATE EQUITY PUBLIC-TO-PRIVATE TRANSACTION
Livingston International Income Fund

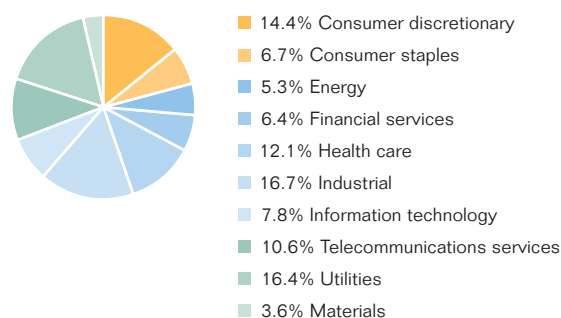
OUR FIRST DIRECT INVESTMENT THROUGH RELATIONSHIP INVESTMENTS
Progress Energy Resources Corp.

OUR FIRST LARGE-SCALE INVESTMENT AS A SOLE INVESTOR
Macquarie Communications Infrastructure Group

OUR FIRST PRIVATE INVESTMENT IN INDIA
Multiples International Fund (closed April 2010)

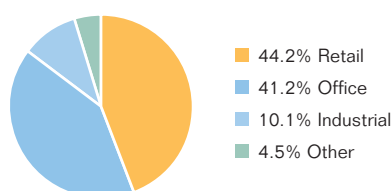
PRIVATE INVESTMENTS BY SECTOR

AS AT MARCH 31, 2010



REAL ESTATE INVESTMENTS BY PRODUCT TYPE

AS AT MARCH 31, 2010



SUSTAINABILITY AND ACCOUNTABILITY

The Canada Pension Plan Investment Board is a professional investment management organization that invests the assets of the Canada Pension Plan (CPP) not required to pay current benefits. Created by an Act of Parliament in December 1997 as part of the successful CPP reforms, the organization's mandate is to help sustain the pensions of 17 million CPP contributors and beneficiaries by maximizing returns without undue risk of loss. The CPPIB is accountable to the 10 federal and provincial finance ministers who act as the stewards of the CPP. According to the latest report by the Chief Actuary of Canada, released in October 2009, the CPP, as constituted, is sustainable throughout the report's 75-year projection period. The report indicates that CPP contributions are expected to exceed annual benefits paid until 2021, providing an 11-year period before a portion of the investment income from the CPP Investment Board is needed to help pay pensions.

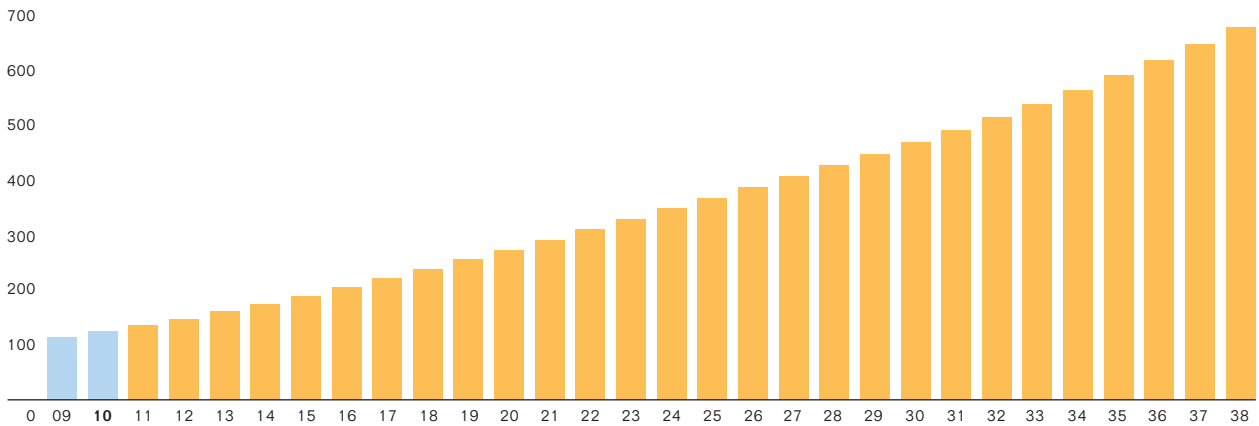
75 + YEARS
DURATION OF CPP
SUSTAINABILITY

11 YEARS
BEFORE INVESTMENT
INCOME NEEDED
TO HELP PAY PENSIONS

17 MILLION
NUMBER OF CANADIANS
WHO PARTICIPATE IN
THE CPP

PROJECTED ASSETS OF THE CPP FUND

AS AT DECEMBER 31 (\$ BILLIONS)



The Chief Actuary of Canada has projected that CPP contributions will exceed annual benefits paid until 2021, providing 11 more years in which excess CPP contributions will be available for investment. CPPIB's sole focus is investing the assets of the CPP and we have built an organization to handle the tremendous growth of the Fund as it increases in the next decade. Starting in 2021, the CPP is expected to begin using a small portion of CPPIB investment earnings to supplement the contributions that constitute the primary means of funding benefits.

■ Actual
■ Projected

TEN-YEAR REVIEW

FOR THE YEAR ENDED MARCH 31

(\$ billions)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
CHANGE IN NET ASSETS										
Income ¹										
Investment income	16.2	(23.6)	(0.3)	13.1	13.1	6.3	10.3	(1.1)	2.3	3.0
Operating expenses	(0.2)	(0.2)	(0.1)	(0.1)	–	–	–	–	–	–
Net contributions	6.1	6.6	6.5	5.6	3.6	4.5	4.6	3.1	2.6	1.2
Increase in net assets	22.1	(17.2)	6.1	18.6	16.7	10.8	14.9	2.0	4.9	4.2

AS AT MARCH 31 (\$ billions)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
INVESTMENT PORTFOLIO										
EQUITIES										
Canada	18.5	15.6	28.9	29.2	29.0	27.7	22.6	11.7	10.0	5.0
Foreign developed markets	46.2	40.4	47.5	46.1	32.7	20.9	9.3	5.4	4.1	2.1
Emerging markets	6.5	4.6	0.7	–	–	–	–	–	–	–
FIXED INCOME										
Bonds	36.8	28.4	30.2	29.2	27.2	28.6	30.2	31.0	32.6	35.3
Other debt	3.5	1.8	1.1	–	–	–	–	–	–	–
Money market securities ²	0.3	(0.8)	–	0.4	0.6	3.1	7.7	7.2	6.8	6.3
Debt financing liabilities	(1.3)	–	–	–	–	–	–	–	–	–
INFLATION-SENSITIVE ASSETS										
Real estate ³	7.0	6.9	6.9	5.7	4.2	0.8	0.7	0.3	0.1	–
Infrastructure	5.8	4.6	2.8	2.2	0.3	0.2	–	–	–	–
Inflation-linked bonds	4.4	4.1	4.7	3.8	4.0	–	–	–	–	–
INVESTMENT PORTFOLIO⁴	127.7	105.6	122.8	116.6	98.0	81.3	70.5	55.6	53.6	48.7

PERFORMANCE

Rate of return (annual) ⁵	14.9%	-18.6%	-0.3%	12.9%	15.5%	8.5%	17.6%	-1.5%	4.0%	7.0%
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¹ Included in the CPP Fund are certain specified CPP assets which were previously administered by the federal government and transferred to the CPP Investment Board over a period that began on May 1, 2004, and ended on April 1, 2007. Since April 1, 1999, the CPP Fund has earned \$39.8 billion in investment income net of operating expenses, which is comprised of \$24.6 billion from the CPP Investment Board and \$15.2 billion from assets historically administered by the federal government.

² Includes amounts receivable/payable from pending trades, reverse repurchase and repurchase agreements, dividends receivable, accrued interest and absolute return strategies.

³ Net of debt on real estate properties.

⁴ Excludes non-investment assets such as premises and equipment and non-investment liabilities.

⁵ Commencing in fiscal 2007, the rate of return reflects the performance of the investment portfolio which excludes the Cash for Benefits portfolio.

CORPORATE PROFILE

The Canada Pension Plan Investment Board is a professional investment management organization that invests the assets of the Canada Pension Plan (CPP) not required to pay current benefits. Created by an Act of Parliament in December 1997 as part of the successful CPP reforms, the organization's mandate is to help sustain the pensions of 17 million CPP contributors and beneficiaries by maximizing returns without undue risk of loss.

According to the latest report by the Chief Actuary of Canada, released in October 2009, the CPP, as constituted, is sustainable throughout the report's 75-year projection period. The report indicates that CPP contributions are expected to exceed annual benefits paid until 2021, providing an 11-year period before a portion of the investment income from the CPP Investment Board (CPPIB) is needed to help pay pensions. As a result, the CPP Fund will grow significantly between now and 2021. Beyond 2021 it will continue to grow, but at a slower rate, as a small portion of the investment income will be needed to help pay pensions. By increasing the long-term value of funds available to the CPP, the CPP Investment Board will help the plan to keep its pension promise to Canadians.

Our disclosure policy states: *"Canadians have the right to know why, how and where we invest their Canada Pension Plan money, who makes the investment decisions, what assets are owned on their behalf and how the investments are performing."* This annual report, together with our website and quarterly financial results disclosures, help to make this information available to Canadians.

In order to continue diversifying the portfolio of CPP assets, the CPP Investment Board invests in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Approximately \$54.9 billion is invested in Canada through a broadly diversified portfolio, while the rest is invested globally so that income from foreign investments flows back to Canada to help pay future pensions.

With a mandate from the federal and provincial governments, the CPP Investment Board is a Crown corporation accountable to Parliament and to the federal and provincial finance ministers who serve as the stewards of the CPP. As an investment management organization operating in the private-sector investing non-government assets, it is not a sovereign wealth fund. Several key attributes, including an arm's length governance model, independent board and investment-only mandate, distinguish the CPP Investment Board from the large pools of government assets under government direction generally identified as "sovereign."

Headquartered in Toronto, with offices in London and Hong Kong, the CPP Investment Board is governed and managed independently of the CPP and at arm's length from governments.

For more information on the CPP Investment Board, visit our website at www.cppib.ca.



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BOARD**

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