



**CPP
INVESTMENT
BOARD**

**Statement of Investment Objectives, Policies, Risk
Management and Performance Expectations for
the Cash for Benefits Portfolio of the
Canada Pension Plan**

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1.0 Purpose

- 1.1 This Policy documents the objectives, policies and procedures approved by the Board of Directors of the Canada Pension Plan Investment Board for the management of the Cash for Benefits Portfolio (the “Cash Portfolio”) of the CPP. The Cash Portfolio holds assets required by the CPP to pay benefits.

2.0 Investment Objectives

- 2.1 Ensuring the CPP has the necessary liquidity to meet benefit payment obligations on any given business day is the primary objective of the Cash Portfolio.
- 2.2 Earning a return that meets or exceeds a Board-approved benchmark over a fiscal year basis is the secondary objective of the Cash Portfolio.

3.0 Benchmark Index and Weights

- 3.1 The Board-approved benchmark for measuring and evaluating the performance of the Cash Portfolio is the Scotia Capital 91-Day Treasury Bills Index.
- 3.2 Because the timing of the cash flows to and from the Cash Portfolio is dependent on cash inflows from the CPP and not under the control of the Money Market Desk, the benchmark returns are weighted daily by the actual cash holdings throughout the year.

4.0 Risk Management

- 4.1 Not meeting the CPP liquidity requirements or experiencing undue capital losses relative to the Board-approved benchmark due to increased interest rates or defaults are the key risks being managed.
- 4.2 To manage these risks the Cash Portfolio will be invested in accordance with the following rules:
- (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 1 of the Board-approved Risk Policy.
 - (b) Except for Government of Canada paper, when the market value of the Cash Portfolio exceeds \$1B, no single counterparty shall comprise more than 40% of the Cash Portfolio. When such market value is below \$1B, this limit shall not apply. Instruments necessary to expedite cash transfers to and from the CPP shall be exempt from this counterparty concentration limit for the five business days prior to the transfer date.
- 4.3 Treatment of policy and limit breaches and escalation procedures, in relation to this Policy, are contained in Section 14 of the Board-approved Risk Policy.

- 4.4 Additional standards will be developed as needed for the management of the Cash Portfolio by the SVP PMI and approved by the President.
- 4.5 Although the performance of the Cash Portfolio is measured and reported separately from the Investment Portfolio, the Cash Portfolio's credit exposure will be managed and reported within the overall credit exposure limits established for the CPP Portfolio.
- 4.6 The cash requirement for each month-end will be obtained from the CPP by Investment Finance ("IF") Treasury. IF Treasury will calculate the minimum quantity of funds necessary to meet the CPP's monthly cash requirement and communicate this to the money market desk in Public Market Investments, and will monitor the cash balance in the Cash Portfolio daily to ensure the Cash Portfolio contains no more than the minimum amount so required and communicated.
- 4.7 Given the Cash Portfolio's short time horizon and the low balances maintained for most of the year, specifying, calculating and monitoring risk relative to a Board-approved risk limit has been determined to be unnecessary.

5.0 Money Market Desk Manages Cash-Flow Requests

- 5.1 In addition to managing the Cash Portfolio's assets, the money market desk is responsible for managing payment requests to and from the CPP by investing cash inflows and providing liquidity for outflows. As well, the money market desk can provide short term liquidity to facilitate transaction settlement for the Investment Portfolio.

6.0 A Source of Liquidity for the Investment Portfolio

- 6.1 From time to time, the Investment Portfolio requires short term cash to settle large transactions undertaken by Private Investments or Private Real Estate. The balances in the Cash Portfolio may be utilized to meet these short term cash needs, so long as this does not negatively impact the primary objective of the Cash Portfolio. The lending rate would be the equivalent rate charged on the CPPIB's lowest cost line of credit as determined by IF Treasury, but only if the rate paid exceeds the return that would otherwise be earned by the Cash Portfolio.

7.0 Performance Measurement, Monitoring and Compliance

- 7.1 Performance of the Cash Portfolio is measured and reported separately in recognition of the Cash Portfolio's focus on short-term liquidity and capital preservation.
- 7.2 IF Reporting and Controls monitors and reports the performance of the Cash Portfolio for management purposes. The Chief Operations Officer reports at least quarterly to the Audit Committee and the Investment Committee on compliance of the Cash Portfolio with Board-approved policies and procedures.

- 7.3** To report the performance of the total CPP Investment Portfolio, the returns of the Cash Portfolio and the Investment Portfolio are aggregated and reported as a single overall return.