



**CPP  
INVESTMENT  
BOARD**

**STATEMENT OF  
INVESTMENT OBJECTIVES, POLICIES, RETURN EXPECTATIONS  
AND RISK MANAGEMENT  
FOR THE INVESTMENT PORTFOLIO  
OF THE  
CANADA PENSION PLAN**

**June 23, 2009**

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Glossary

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## 1.0 PURPOSE

- 1.1 This Statement of Investment Objectives, Policies, Return Expectations and Risk Management (the “Statement”) documents the key investment objectives, policies, standards and procedures approved by the Board of Directors<sup>1</sup> (the “Board”) of the Canada Pension Plan Investment Board (the “CPPIB”) for the assets of the long-horizon CPP Investment Portfolio (the “Fund”).
- 1.2 The Statement has been prepared in accordance with the Canada Pension Plan Investment Board Act (the “Act”) and the Canada Pension Plan Investment Board Regulations (the “Regulations”).
- 1.3 The Statement has been prepared with six stakeholder audiences in mind: CPPIB Board of Directors; the CPPIB; Canada Pension Plan (the “CPP”) contributors and beneficiaries; federal-provincial CPP stewards; Board agents engaged to manage and administer CPP assets; and the Office of the Chief Actuary of the CPP.
- 1.4 The Statement is supported by proprietary documents that govern the day-to-day management of the Fund including decision authorities, risk exposures, performance standards and reporting protocols.
- 1.5 The Board reviews and confirms or amends this Statement at least once every fiscal year.

## 2.0 INVESTMENT OBJECTIVES

- 2.1 The Act specifies three objectives for the CPPIB in relation to the Fund:
  - (a) Assist the CPP in meeting its obligations to contributors and beneficiaries;
  - (b) Manage assets in the best interests of CPP contributors and beneficiaries; and
  - (c) Invest assets to achieve 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.
- 2.2 The policies documented in this Statement and in a companion statement that governs the very much smaller CPPIB Cash for Benefits Portfolio 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 partially funded defined benefit plan using a combination of steady-state funding and incremental full funding to determine the minimum contribution rate. The CPP is designed to be self-sustaining with benefits financed by employee-employer contributions and Fund investment earnings. If the best estimate assumptions in the 23rd Actuarial Report (the “Actuarial

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<sup>1</sup> Terms explained in the Glossary are underlined when they first appear in the text.

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Report”) on the CPP are realized, the current 9.9% employee-employer contribution rate and investment earnings will be sufficient to pay all promised benefits over the 75-year projection period.

- 3.2** Over the period ending 2019, CPP contributions are projected to exceed benefit payments, and therefore all CPP investment earnings will be re-invested in the Fund to build capital to help pay benefits in subsequent years. After 2019, a growing percentage of investment earnings will be used to pay benefits. In 2025, 19% of investment earnings are required to pay benefits. This increases to 31% of investment earnings in 2050. The funded ratio stabilizes at approximately 25% at about 2025.
- 3.3** Future CPP benefits and contributions will be driven by 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 Report. The estimated impacts of changes in these factors are contained in the Actuarial Report.
- 3.4** Fertility, retirement and life expectancy are the key demographic factors. Lower than expected fertility could increase CPP contribution rates. Retiring earlier than expected could increase CPP contribution rates. Unexpected increases in life expectancy could also increase CPP contribution rates.
- 3.5** Because the CPP is partially funded, real wage growth is the economic factor that most affects future contribution rates. Lower than expected real wage growth over the projection period whether from lower productivity or lower inflation, could increase future contribution rates.
- 3.6** Interest rates and risk premiums are the investment factors that most affect future contributions. Lower than projected interest rates or lower than expected risk premiums could increase future contribution rates.
- 3.7** While the factors affecting future contribution rates are beyond the control of the CPPIB, their potential impacts on contribution rates are considered by the CPPIB when evaluating alternative investment policies. To the extent possible, the CPPIB adopts investment policies that will mitigate the impact of unfavourable changes in these factors. This mitigation is summarized in Section 4.0.
- 3.8** CPPIB decisions do affect Fund investment earnings, especially active management returns. However, the investment returns of a diversified portfolio are determined primarily by overall capital market returns, which are driven by economic activity.
- 3.9** If the Chief Actuary of the CPP determines that the current 9.9% contribution rate, in combination with future investment earnings, is not sufficient to pay promised benefits, the contribution rate may be increased and/or benefits reduced in accordance with amending provisions specified in the Canada Pension Plan Act and Regulations. These provisions ensure the CPP is self-sustaining across future generations.

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#### 4.0 CPP REFERENCE PORTFOLIO

- 4.1 The CPP Reference Portfolio (the “Reference Portfolio”) summarized in Exhibit 1 is approved by the Board and used to evaluate Fund performance and hold CPPIB accountable for its active management investment decisions.
- 4.2 The Reference Portfolio is a diversified portfolio of publicly traded securities that could be implemented by a low cost passive investing program. It is designed to earn sufficient capital market returns over the long term to keep the CPP contribution rate at or below 9.9%, while also matching to some extent the behavior of CPP net liabilities as estimated by CPPIB.
- 4.3 The composition of the Reference Portfolio recognizes the investment constraint imposed by the Fund’s legacy portfolio of non-marketable federal and provincial bonds, and the liquidity of the Fund’s exposure to Canadian equities which was maintained in part to comply with the foreign property rule. The foreign property rule was removed for all Canadian pension funds in June, 2005.

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CPP Reference Portfolio	Exhibit 1
	(%)
<b>Equity</b>	
Foreign	45
Canadian	15
Emerging Markets	5
<b>Total Equity</b>	<b>65</b>
<b>Debt</b>	
Canadian Real Return Bonds	5
Canadian Nominal Bonds	25
Foreign Sovereign Bonds	5
<b>Total Debt</b>	<b>35</b>
<b>Total</b>	<b>100</b>

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- 4.4 Using reasonable capital market assumptions, the 65/35 equity/debt weighting of the Reference Portfolio is expected to earn at least a 4.2% real rate of return over the long term. According to the 23rd Actuarial Report on the CPP, an average annual 4.2% real return is required over a 75-year projection period to sustain the plan at a CPP minimum contribution rate of 9.82%. This also ensures that the 9.9% employee-employer contribution rate is sustainable. The equity/debt weighting also embodies the level of equity risk implied by the CPP stewards when they agreed in 1997 to invest CPP assets in the capital markets.
- 4.5 The 45% foreign equity weighting reduces the dependence of the Fund on the Canadian economy, which represents less than 5% of the world’s capital markets.

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It also provides a high expected real return and partially mitigates the risk of lower than expected wage growth in Canada.

- 4.6 The 15% Canadian equity weighting provides a high expected real return and partially mitigates the risk of decreases in Canadian interest rates. Canadian equities have higher correlation with Canadian interest rates than foreign equities.
- 4.7 The 5% weighting to Emerging Markets equity provides a high expected return and recognizes the increasing size of emerging markets as a percentage of the world's equity market. This reduces the Fund's exposure to Canada's relatively small market as the CPP Fund increases in size relative to Canadian capital markets.
- 4.8 The 5% weighting to Canadian real return bonds mitigates the risks of unexpected inflation and decreases in real interest rates. The allocation also reflects the limited supply of real return bonds available to investors, especially large funds like the CPPIB.
- 4.9 The 25% weighting to Canadian nominal bonds recognizes the Fund's legacy exposure to federal and provincial non-marketable bonds and mitigates deflation risk. Nominal bonds are expected to earn a marginally higher return than real return bonds because nominal bond returns include an inflation risk premium.
- 4.10 The 5% weighting to currency hedged Foreign Sovereign bonds provides a close substitute for Canadian nominal government bonds which provide a direct hedge for CPP liabilities. This also reduces the Fund's exposure to Canadian capital markets.
- 4.11 The composition of the Reference Portfolio is expected to remain unchanged until at least the end of CPPIB's Fiscal Year 2010, when it will be reviewed in detail and possibly amended given new insights into the linkages between capital market behavior and the factors that affect CPP net liabilities.

## **5.0 CPPIB OBJECTIVE: OUTPERFORM THE REFERENCE PORTFOLIO**

- 5.1 By design, the Reference Portfolio is not exposed to active management investment decisions, which entail higher costs and, if unsuccessful, can underperform a passive asset management program.
- 5.2 The Board believes CPPIB can outperform the Reference Portfolio without undue risk of loss by investing in risk-diversifying and return-enhancing asset classes and utilizing investment strategies not represented in the Reference Portfolio. The additional returns would enhance the sustainability of the CPP.
- 5.3 CPPIB uses the Reference Portfolio as a risk-return benchmark to evaluate, select, implement and manage its many performance enhancing investment strategies.

## **6.0 RETURN EXPECTATIONS**

- 6.1 Based on historical experience and reasonable future return expectations, the Board believes that the specified Reference Portfolio has an expected return that

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will equal or exceed over the long-term the 4.2% real rate of return assumed in 23<sup>rd</sup> Actuarial Report. Applying the long-term best estimate equilibrium assumptions contained in the 23<sup>rd</sup> Actuarial Report to the Reference Portfolio produces a 4.4% expected real return.

- 6.2 The Board expects that the performance enhancing investment strategies implemented by the CPPIB will earn returns above the Reference Portfolio. The Board establishes value-added performance targets and evaluates their continued suitability annually.
- 6.3 The Board recognizes that over short and medium time periods the Fund's real return can and will deviate significantly from long-term expectations – both positively and negatively.

## **7.0 ACTIVE RISK LIMIT**

- 7.1 The Board reviews and approves annually a Fund-level active risk limit relative to the Reference Portfolio within which CPPIB has discretion to make and implement investment decisions with the objective of earning returns above the Reference Portfolio.
- 7.2 The risk limit is large enough to permit CPPIB the flexibility to achieve the total Fund value-added objectives established by the Board, but not so large as to put Fund assets at undue risk of loss relative to the performance of the Reference Portfolio.
- 7.3 At no time can the Fund's active risk exceed the Board-established limit, unless authorized by the Board.
- 7.4 CPPIB monitors, evaluates and manages active risk exposures relative to Reference Portfolio and allocates risk exposures across investment departments as necessary to maximize the Fund's active management returns.
- 7.5 CPPIB reports the active risk exposures to the Board at least quarterly or more frequently as required.

## **8.0 INVESTMENT CATEGORIES**

- 8.1 The Fund can invest in the securities or assets of any issuer or business that would be lawful if carried on in Canada and is domiciled in any country which Canada maintains normal financial, trade and investment relations, and if the investment is not prohibited by the Act and Regulations. Exhibit 2 is a non-exhaustive list of the range of investment categories in which the CPPIB does or could invest.

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**Illustrative Range of Investment Categories****Exhibit 2**

<b>Public Market Investments</b>	<b>Private Real Estate</b>	<b>Private Investments</b>
Developed markets equity	Core commercial properties	Venture capital
Emerging markets equity	Non-core commercial properties	Leveraged buy-outs
Developed market debt	Undeveloped land	Private Debt
Emerging market debt	Residential developments	Secondary LP purchases
Mortgage-backed securities	Private mortgages	Infrastructure
Hedge funds	Property-lease backs	Timber
Global tactical asset allocation	Farmland	Intellectual property
Currencies		Private Commodities
Commodity futures		
Real estate investment trusts		
Exchange and/or OTC traded derivatives		

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**9.0 DEBT ISSUANCE**

- 9.1** CPPIB may, from time to time, create, issue, certify and deliver various forms of indebtedness either directly or through a dedicated subsidiary.
- 9.2** CPPIB may, from time to time, provide a guarantee in respect of any such Indebtedness issued by a dedicated subsidiary.

**10.0 MANAGING MARKET, CREDIT AND OTHER FINANCIAL RISKS**

- 10.1** Market risk is managed by diversifying across different asset classes and investment strategies such that Fund assets are not imprudently exposed to any single unexpected event. In addition, risk budgeting principles and analytical tools are used to measure, monitor and evaluate prospective Fund performance under different market conditions using Value-at-Risk measures.
- 10.2** Until credit risk can be reliably incorporated into an integrated market risk model, it will be managed by adhering to credit policies and limits developed by CPPIB, and reviewed and approved by the Board at least annually. Exceptions to Board-approved policies or limits can be granted by the President and CEO, but are subject to the review of the Board as soon as is practical.
- 10.3** Individual private market investments that exceed Board-established dollar limits must be approved by the Board before being implemented. Examples of such private markets investments include private equity, private debt, private infrastructure and private real estate.
- 10.4** Wherever possible the volatility of private market or non-regularly traded assets is estimated using suitable public market proxies.
- 10.5** CPPIB reports the Fund's exposure to market, credit and other financial risks to the Board at least quarterly or more frequently as required.

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## **11.0 VALUATION OF NON-REGULARLY TRADED ASSETS**

- 11.1** Fair values of publicly traded liquid assets held by the Fund will be determined using publicly quoted prices.
- 11.2** Fair values of publicly traded illiquid assets held by the Fund will be determined using publicly quoted prices where available. Where publicly quoted prices are not available, fair value estimates will be generated by internal models and be compared with fair value estimates reported by external managers or brokers. Such instruments might include structured instruments or long dated trades.
- 11.3** Valuations of non-traded private assets are reviewed quarterly and adjusted if there is evidence of a significant change in fair value.
- 11.4** CPPIB 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 will be primarily based on fair value estimates reported by external asset managers or valuations provided by external parties. Internal valuations will be prepared for all assets that do not require an external valuation. All fair value estimates are determined using accepted industry valuation methods.

## **12.0 PROXY VOTING AND RESPONSIBLE INVESTING**

- 12.1** The CPPIB is committed to encouraging companies and organizations to adopt policies and practices that enhance their long-term financial performance. In particular, the Board believes that responsible corporate and organizational behaviour with respect to environmental, social and governance factors can have a positive influence on long-term financial performance.
- 12.2** CPPIB encourages responsible behaviour through a policy of engagement. CPPIB believes engagement is more effective than the rigid screening of securities that can preclude investments in certain companies, organizations or entire industries, sectors or countries.
- 12.3** Shareholder voting rights have economic value and share voting can positively impact Fund returns by constructively influencing corporate performance.
- 12.4** CPPIB will exercise its voting rights in a manner that is consistent with its Proxy Voting Principles and Guidelines and its Policy on Responsible Investing. CPPIB may exercise judgment in connection with the voting of any proxy on a case-by-case basis.
- 12.5** CPPIB may engage one or more proxy voting service providers to help CPPIB with its share voting responsibilities.
- 12.6** Where it is not practical for CPPIB to retain responsibility for share voting, CPPIB may delegate voting rights to an external investment manager. Any delegation to an external manager is subject to prior CPPIB review of such manager's share voting principles and guidelines and CPPIB satisfaction that such

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principles and guidelines are generally in accordance with the Board-approved Proxy Voting Principles and Guidelines.

- 12.7 For more details, see “Proxy Voting Principles and Guidelines” and “Policy on Responsible Investing” both available at [www.cppib.ca](http://www.cppib.ca).

### **13.0 DERIVATIVES**

13.1 CPPIB may use derivatives to achieve its investment and financial objectives, including strategies to mitigate risk, reduce costs, increase expected returns, increase cash liquidity or diversify financing and investing alternatives available to the Fund.

13.2 Derivative use will comply with the Act and the Regulations.

### **14.0 LIQUIDITY**

14.1 The CPPIB manages liquidity for the CPP. The CPP provides its monthly liquidity requirements to CPPIB, which manages the Cash for Benefits Portfolio so that the CPP can meet its financial obligations on any given business day.

14.2 For more details, see “Statement of Investment Objectives, Policies, Risk Management and Performance Expectations for the Cash for Benefits Portfolio” available at [www.cppib.ca](http://www.cppib.ca).

### **15.0 SECURITIES LENDING**

15.1 The CPPIB may enter into securities lending agreements providing the agreements meet Board-approved conditions.

15.2 Where the CPPIB invests through pooled funds, mutual funds or insurance contracts, it will inform itself about the securities lending practices of such investment vehicles and satisfy itself that the practices are sound, and sufficient security is provided for any loans.

### **16.0 RELATED PARTY TRANSACTIONS**

16.1 Except as specified in section 16.2, the CPPIB shall not directly or indirectly enter into a transaction with a related party.

16.2 The CPP Investment Board may enter into a transaction with a related party if:

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- a. The transaction is required for the operation or administration of the CPPIB and the terms and conditions of the transaction are not less favourable to the CPPIB 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.

**16.3** 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.

## **17.0 SOFT DOLLAR ARRANGEMENTS**

- 17.1** CPPIB supports transparency and disclosure in paying for goods and services, and unbundled pricing of goods and services.
- 17.2** CPPIB will only consider soft dollar arrangements when direct payment for goods and services is not practical or when soft dollar arrangements are judged by management to be in the best interests of the CPPIB.
- 17.3** Soft dollar arrangements will in any event only be used when they conform to the guidelines in the Standards of Practice of the CFA Institute.

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## Glossary

<b>Active Risk Limit</b>	Maximum amount of CPP assets that management can put at risk over any single year, relative to the CPP Reference Portfolio, to achieve Board-approved value-added performance objectives.
<b>Actuarial Report</b>	Prepared every three years by the Chief Actuary to evaluate the sustainability of the CPP over a 75-year projection period. Intra-period actuarial reports are prepared if the Chief Actuary believes a planned change in CPP provisions will materially affect the actuarial evaluation presented in the most recent triennial report. There have been twenty-three actuarial reports since the inception of the CPP.
<b>Basis Point</b>	One basis point equals 1/100th of one percentage point.
<b>Board of Directors</b>	The twelve individuals appointed by the federal Minister of Finance to govern the activities of the CPP Investment Board. Each director is appointed for a term of three years by the Governor in Council. A director is eligible for reappointment for one or more additional terms.
<b>Canada Pension Plan Investment Board (CPPIB)</b>	Created in 1997 by an act of Parliament, the CPPIB is an arm's length Crown Corporation that invests the assets of the Canada Pension Plan (CPP).
<b>Canada Pension Plan (CPP)</b>	A mandatory defined benefit retirement income program established in 1965 and administered by the federal government on behalf of all Canadian provinces and territories, with the exception of Quebec. Quebec administers a parallel Quebec Pension Plan. The CPP pays monthly pensions to retirees who made contributions during their working years. The CPP also pays spousal, orphans, disability and death benefits.
<b>Canadian Equity</b>	Share ownership of Canadian companies as defined by the Standard & Poor's/Citigroup Broad Market Index Canada.
<b>Cash for Benefits Portfolio</b>	CPP assets managed by the CPPIB to ensure the CPP can meet its payment obligations on any given business day.
<b>CFA Institute</b>	A self-regulating global organization that sets investment industry standards of ethics, education and professional excellence, and advocates fair and transparent capital markets.

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<b>Credit Risk</b>	The risk that asset values will decline because a counterparty is unable to meet its contractual financial obligations.
<b>Derivative</b>	A financial instrument, traded on or off an exchange, the price of which is derived from the value of one or more underlying securities. Derivatives involve the trading of rights or obligations but do not necessarily transfer property. Derivatives include forwards, futures, swaps and options.
<b>Fair Value</b>	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.
<b>Federal-Provincial CPP Stewards</b>	The federal and provincial Ministers of Finance who review the Plan's financial state every three years and make recommendations as to whether benefits and/or contribution rates should be changed. Recommendations are based in part on the advice of the Office of the Chief Actuary.
<b>Foreign Equity</b>	Share ownership of non-Canadian companies as defined by the Standard & Poor's/Citigroup Primary Market Index World Excluding Canada.
<b>Foreign Property Rule</b>	Repealed in 2005, the Income Tax Act imposed a disincentive tax on Registered Pension Plans on non-Canadian investment that exceeded specified maximums expressed as percentage of plan assets. A 10% maximum was first set in 1971; raised to 20% in 2% increments between 1990 and 1994; and further raised to 30% in 5% increments between 2000 and 2001.
<b>Funded Ratio</b>	The ratio of CPP current assets to CPP accrued liabilities determined by the Chief Actuary. The funded ratio of the CPP was 15.5% as at December 31, 2006 and is projected to increase and stabilize at about 25% by 2025.
<b>Incremental Full Funding</b>	As amended by Bill C-36, any changes to the CPP benefits that increase or add new benefits are to be fully funded. The 23rd Actuarial Report estimated a contribution rate of 0.02% to fully fund the amendments introduced by Bill C-36.
<b>Investment Portfolio</b>	CPP assets managed by the CPPIB with a long-term investment horizon.
<b>Liquidity</b>	Exists when an asset is easily converted into cash, or when buying and selling of the asset can occur freely without materially affecting its market price.

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<b>Market Risk</b>	The risk that asset values will decline because of movements in the general level of market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices.
<b>Minimum Contribution Rate</b>	The sum of the steady-state funding and incremental full funding rates. The 23rd Actuarial Report estimated a minimum contribution rate of 9.82%.
<b>Net Liabilities</b>	The present value of future CPP benefits minus contributions assuming current provisions of the plan remain unchanged, discounted at a return earned by a net liability mimicking portfolio, currently best proxied by a portfolio of default-free real return bonds.
<b>Nominal Bonds</b>	Bonds that pay interest and principal without contractual adjustments for inflation.
<b>Office of the Chief Actuary (OCA)</b>	Provides actuarial and other services to the Government of Canada and provincial governments who are CPP stakeholders. While reporting to the Superintendent the Office of the Superintendent of Financial Institutions (OSFI), the Chief Actuary has the sole responsibility for the content and actuarial opinions in the reports prepared by the OCA.
<b>Real Rate of Return</b>	The portion of an investment return that exceeds the rate of inflation.
<b>Real Return Bonds</b>	Bonds that contractually adjust interest and principal payments to offset inflation.

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<b>Related Party</b>	<p>CPP Investment Board Regulations define related parties as:</p> <ul style="list-style-type: none"> <li>(a) a director, officer or employee of the CPP Investment Board,</li> <li>(b) a person responsible for holding or investing the assets of the CPP Investment Board, or any officer, director or employee of the person,</li> <li>(c) the spouse or a child of any person referred to in paragraph (a) or (b),</li> <li>(d) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (c), or</li> <li>(e) an entity in which a person referred to in paragraph (a), (b) or (c) has a substantial investment</li> </ul> <p>Related parties do 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 the Board.</p>
<b>Risk</b>	The potential for financial loss from exposures to the markets or active management investment decisions.
<b>Risk Budgeting</b>	The process of allocating or budgeting a pre-set risk limit among competing risk exposures to achieve a performance objective. In general, risk exposures that offer the highest expected return per unit of risk are allocated a higher portion of the risk budget.
<b>Risk Premium</b>	The additional return that a risky asset is expected to earn over the return available from a lower-risk asset to compensate investors for the increased possibility of experiencing losses. For example, equity investors typically expect to earn at least a 3.0% premium above the return available from investing in default-free Government of Canada bonds to compensate for the risk that equity investments can under-perform Government of Canada bonds.
<b>Securities Lending</b>	The temporary loan of a security from an institutional investor's portfolio to a broker/dealer or custodian to support that firm's trading activities. The owner/lender earns enhanced returns through finance charges. Loaned securities are generally collateralized, reducing the lender's credit exposure to the borrower.
<b>Soft Dollars</b>	An arrangement where research or other services are obtained from broker-dealers in exchange for executing trades through that broker.

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**Steady-State Funding**

The OCA estimates the lowest contribution rate sufficient to sustain the CPP without further contribution increases. The 23rd Actuarial Report estimated a 9.8% sustainable rate at December 31, 2006.

**Value-at-Risk (VaR)**

An estimate of the maximum potential change in the value of a portfolio of financial instruments with a given probability over a specified time period. Historical simulation, used by CPPIB, is the simplest and most transparent method of calculation. This involves running the current portfolio across a set of historical price changes to yield a distribution of changes in portfolio value, and computing a percentile (the VaR).