



Overview:

Principles of Management Compensation Framework at CPP Investment Board

As a professional investment management organization operating within the private sector, the CPP Investment Board has a governance model that carefully balances public sector accountability with the need to operate at arm's length from governments. This governance model, which includes the Management Compensation Framework, has been hailed by industry experts, foreign governments and national pension funds, and international institutions as a leading model of public pension fund governance.

There are three key principles that serve as the foundation for the CPP Investment Board's Management Compensation Framework:

1. Management compensation is determined by an independent and qualified board of directors.
 - In order for the CPP Investment Board to fulfill its mandate as a global investor, the board of directors believes it is essential to provide a compensation opportunity that will enable the organization to compete with other investors to attract and retain talented investment and management professionals with specialized skills and knowledge in those global markets that are the focus of our investment programs.
2. Management compensation is based on investment performance over four-year periods.
 - The CPP Investment Board has a pay-for-performance approach that measures performance against market-based benchmarks over rolling four-year periods. This longer-term focus is consistent with the nature of the CPP Investment Board's mandate and places the organization at the forefront of current best practices for management compensation.
3. Management compensation is based upon two key performance criteria:
 - Investment income generated above market-based benchmarks
 - Overall total Fund returns

FISCAL 2009 MANAGEMENT COMPENSATION

Compensation for fiscal 2009 is based upon the cumulative results for the four-year period ending March 31, 2009.

- In the three years since the CPP Reference Portfolio was adopted as the organization's key total fund benchmark (fiscal 2010 will complete the first four-year period), we have generated cumulative value-added returns of 487 basis points representing approximately \$5.3 billion in additional income.
- The total fund returns for the current four-year period are:

Fiscal Year	CPP Fund Return
2006	15.5%
2007	12.9%
2008	-0.3%
2009	-18.6%

The annualized return for this period is 1.4%.

- Given that compensation is linked to fund performance over four years and portfolio performance has declined this year, the impact of this year's performance will affect compensation through to the end of 2012.
- More details about management compensation for fiscal 2009 will be available in the 2009 Annual Report which will be published on May 28, 2009.