



CPP
INVESTMENT
BOARD

**TERMS OF REFERENCE FOR THE HUMAN
RESOURCES AND COMPENSATION
COMMITTEE**

APRIL 5, 2006

**TERMS OF REFERENCE FOR THE
HUMAN RESOURCES AND COMPENSATION COMMITTEE**

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1.0 INTRODUCTION

The objects and powers of the CPP Investment Board are outlined in the **Act**. The **Act** articulates certain responsibilities for the Board. The **Terms of Reference for the Board** clarify the Board's responsibilities, and the **Guidelines for the Board** elaborate upon the **Terms of Reference for the Board**.

The **Act** permits the Board to establish such committees as it deems necessary, and to assign to them such duties as it considers appropriate. The Board has established the Human Resources and Compensation Committee ("HRCC") in accordance with its authority to do so under the **Act**.

These terms of reference are designed to articulate and clarify the responsibilities of the HRCC.

The Board has adopted **Guidelines for Board Committees** which provide elaboration upon each Board Committee's terms of reference.

2.0 PURPOSE

The purposes of the HRCC are to assist the Board in fulfilling its obligations relating to compensation of Management and Directors, to assist in reporting to the public on Management compensation and to perform duties set out herein or otherwise as may be determined by the Board.

3.0 COMMITTEE MEMBERSHIP

The HRCC shall be composed of not fewer than four Directors.

A quorum for the transaction of business at a meeting of the HRCC will be a majority of Directors appointed to the HRCC.

Any Director who is a member of the HRCC may be removed and replaced at any time by the Board.

If possible, at least one member of the Human Resources and Compensation Committee will have executive compensation experience.

4.0 COMMITTEE MEETINGS

The HRCC shall meet at least twice a year, with additional meetings at the discretion of the Committee Chair.

5.0 OPERATIONS

The HRCC may retain compensation consultants to provide advice regarding compensation or human resource issues at the CPP Investment Board's expense.

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6.0 DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, and to the requirements of the **Act**, the Human Resources and Compensation Committee will perform the following duties:

6.1 Evaluation of the President

- (a) Require that a **Performance Evaluation Process for the President** is completed by the Directors annually.
- (b) Review and recommend to the Board for approval the President's goals and objectives annually.
- (c) Review and recommend the proposed salary adjustment and Incentive Compensation Award for the President annually taking into consideration the results of the Performance Evaluation for the President.
- (d) Review with the President any significant outside commitments which the President is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.

6.2 Compensation

Review and recommend to the Board annually:

- (a) compensation framework for the CPP Investment Board;
- (b) compensation ranges for Officers;
- (c) incentive compensation plans for Employees;
- (d) the President's proposed salary adjustments and Incentive Compensation Awards for Employees who are Management and report directly to the President; and
- (e) Directors' and Officers' compensation disclosure in the Annual Report.

6.3 Severance

Review and approve all severance arrangements for Officers.

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6.4 Organizational Structure

Review and recommend to the Board, when warranted:

- (a) major changes in the organizational structure of Management;
- (b) position descriptions of Officers; and
- (c) appointments of Officers.

6.5 Management Development and Succession

Review the President's succession plans for Officers, including specific development plans and career planning for potential successors:

- (a) annually; and
- (b) before the President's discussion of those plans with the Board.

6.6 Employee Benefits and Human Resources Policies

- (a) Review Employee Benefits annually; and recommend changes to the Board when warranted.
- (b) Review Human Resources Policies annually; and approve changes when warranted.

6.7 Employee Pension Plans

The CPP Investment Board has two defined contribution pension plans for Employees, the RPP and the SPP (collectively the "Employee Pension Plans"), the details of each of which are found in their respective plan texts.

The Human Resources and Compensation Committee bears the following responsibilities in connection with the Employee Pension Plans:

- (a) in connection with their design: receive Management's proposals and reports and approve changes when warranted unless the change(s) constitutes a change in the amount or nature of the retirement benefit, in which case the change(s) must be approved by the Board;
- (b) in connection with their statements of investment, policies and procedures (and in particular, the approval of categories of investment options for inclusion therein):
 - (i) receive the Pension Committees' proposals and reports annually;
 - (ii) review and approve annually; and

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- (iii) report to the Board for information purposes;
- (c) in connection with their Member Education and Communication Policy:
 - (i) receive the Pension Committees' proposals and reports annually;
 - (ii) approve changes thereto when warranted; and
 - (iii) report to the Board for information purposes;
- (d) in connection with their Governance Policy:
 - (i) receive the Pension Committees' proposals;
 - (ii) approve changes thereto when warranted;
 - (iii) review the results of the Pension Committee's self-assessment questionnaire annually; and
 - (iv) report to the Board for information purposes.
- (e) in connection with their service providers: receive the Pension Committees' reports from time to time;
- (f) in connection with oversight: receive the Pension Committees' reports semi-annually; and
- (g) consider annually the appropriateness of hedging the obligations under the SPP.

6.8 Other

Carry out other duties as may be determined from time to time by the Board.

7.0 ACCOUNTABILITY

The Human Resources and Compensation Committee shall report its discussions to the Board by distributing to the Board the minutes of its meetings and, where appropriate, by oral reports at the next Board meeting.

8.0 COMMITTEE TIMETABLE

The timetable on the following pages outlines the Human Resources and Compensation Committee's annual schedule of activities.

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HUMAN RESOURCES AND COMPENSATION COMMITTEE TIMETABLE

Source			Fiscal 2007		
Statute/ Reg	Terms of Reference		Apr	May	Nov
	6.1	EVALUATION OF THE PRESIDENT			
	(a)	Require that a Performance Evaluation Process for the President is completed by the Directors annually	*		
	(b)	Review and recommend to the Board for approval the President's goals and objectives annually		*	
	(c)	Review and recommend the proposed salary adjustment and Incentive Compensation Award for the President annually taking into consideration the results of the Performance Evaluation for the President		*	
	(c)	Review President's significant outside commitments (ongoing)			
	6.2	COMPENSATION			
		Review and recommend to the Board annually:			
	(a)	compensation framework for the CPP Investment Board		*	
	(b)	compensation ranges for Officers		*	
	(c)	incentive compensation plans for Employees		*	
	(d)	President's proposed salary adjustments and incentive compensation awards for Employees who are Management and report to the President		*	
	(e)	Directors' and Officers' compensation disclosure in the Annual Report		*	
	6.3	SEVERANCE			
	(a)	Review and approve all severance arrangements for Officers (as required)			
	6.4	ORGANIZATIONAL STRUCTURE			
		Review and recommend to the Board when warranted:			
	(a)	major changes in the organizational structure of Management (ongoing)			
	(b)	position descriptions of Officers (ongoing)			
	(c)	appointments of Officers (ongoing)			

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Source			Fiscal 2007		
Statute/ Reg	Terms of Reference		Apr	May	Nov
	6.5	MANAGEMENT DEVELOPMENT AND SUCCESSION			
	(a)	Review President's development and succession plans for the Officers annually		*	
	6.6	EMPLOYEE BENEFITS AND HUMAN RESOURCES POLICIES			
	(a)	Review Employee Benefits annually and recommend changes to the Board when warranted		*	
	(b)	Review Human Resources Policies annually and approve changes when warranted	*		
	6.7	EMPLOYEE PENSION PLANS			
	(a)	Design: receive Management's proposals and reports and approve changes thereto unless the change constitutes a change in the amount or nature of the benefit in which case the change must be recommended to the Board for approval			
	(b)	statements of investment policies and procedures (including approval of categories of investment options): receive the Pension Committees' proposals and reports annually, approve changes or confirm annually and report to the Board			*
	(c)	Member Education and Communication Policy: receive the Pension Committees' proposals and reports annually, approve changes thereto when warranted and report to the Board			*
	(d)	Governance Policy: receive the Pension Committees' proposals; approve changes thereto when warranted; review of the results of the self-assessment questionnaire annually; and report to the Board.			*
	(e)	Service Providers: receive the Pension Committees' reports (ongoing)			
	(f)	Oversight: receive the Pension Committees' reports semi-annually		*	*
	(g)	Consider annually the appropriateness of hedging under the SPP			*
	N/A	GUIDELINES FOR BOARD COMMITTEES (S. 2.3)			
		Review Terms of Reference for the Human Resources and Compensation Committee annually and recommend changes to the Board when warranted	*		