



**CPP
INVESTMENT
BOARD**

**TERMS OF REFERENCE FOR THE
INVESTMENT COMMITTEE**

APRIL 5, 2006

**TERMS OF REFERENCE FOR THE
INVESTMENT COMMITTEE**

1.0	INTRODUCTION	1
2.0	PURPOSE.....	1
3.0	COMMITTEE MEMBERSHIP.....	1
4.0	COMMITTEE MEETINGS	2
5.0	DUTIES AND RESPONSIBILITIES.....	2
5.1	Investment Statement and Investment Policies	2
5.2	Implementation of Investment Policies	2
5.3	Compliance with Investment Statement and Investment Policies	2
5.4	External Managers – Criteria and Process for Selection.....	2
5.5	Engagement of External Managers.....	2
5.6	External Managers – Monitoring.....	2
5.7	Custodian	3
5.8	Investment Transactions	3
5.9	Other.....	3
6.0	ACCOUNTABILITY	3
7.0	COMMITTEE TIMETABLE	3

TERMS OF REFERENCE FOR THE INVESTMENT COMMITTEE

1.0 INTRODUCTION

The objects and powers of the CPP Investment Board are outlined in the **Act**. The **Act** describes 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** requires that the Board create an investment committee to fulfill certain responsibilities. The Board has established the Investment Committee in accordance with the requirements of the **Act**.

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

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

2.0 PURPOSE

The purpose of the Investment Committee is to meet the requirements of the **Act** and thereby assist the Board in fulfilling its obligations by receiving reports and approving or making recommendations to the Board on matters as follows:

- (a) investment policies;
- (b) procedures to monitor the application of and compliance with the investment policies by Officers, Employees and the CPP Investment Board's agents;
- (c) approval of the engagement of investment managers;
- (d) selection of custodian(s);
- (e) approval of all other Investment Transactions (as defined in the Authorities Policy) other than as specifically governed by the Authorities Policy;
- (f) the effectiveness of the investment policies and the achievement of the objects of the CPP Investment Board; and
- (g) such other matters as may be determined by the Board.

3.0 COMMITTEE MEMBERSHIP

The Investment Committee shall be composed of the full Board.

The Chairperson shall serve as the Committee Chair.

TERMS OF REFERENCE FOR THE INVESTMENT COMMITTEE

4.0 COMMITTEE MEETINGS

The Investment Committee shall meet at least five times a year, with additional meetings at the discretion of the Committee Chair.

5.0 DUTIES AND RESPONSIBILITIES

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

5.1 Investment Statement and Investment Policies

Review and recommend to the Board at least annually:

- (a) the Investment Statement; and
- (b) the Investment Policies.

5.2 Implementation of Investment Policies

Receive reports on the implementation of the Investment Statement and the Investment Policies, in accordance with detailed reporting obligations outlined therein, which obligations are cross-referenced in the Investment Committee timetable attached.

5.3 Compliance with Investment Statement and Investment Policies

Review, evaluate and approve procedures that Management has implemented to monitor compliance with the Investment Statement and the Investment Policies by receiving Management's annual report on specified internal controls audited by the external auditor.

5.4 External Managers – Criteria and Process for Selection

Oversee the criteria and process for the selection of external investment managers with discretionary authority to invest the assets of the CPP Investment Board.

5.5 Engagement of External Managers

Approve the engagement of investment managers with discretionary authority to invest the assets of the CPP Investment Board.

5.6 External Managers – Monitoring

Oversee the process for monitoring external investment managers with discretionary authority to invest the assets of the CPP Investment Board.

TERMS OF REFERENCE FOR THE INVESTMENT COMMITTEE

5.7 Custodian

Approve the selection of custodians.

5.8 Investment Transactions

Approve all other Investment Transactions (as defined in the Authorities Policy) other than as specifically governed by the Authorities Policy.

5.9 Other

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

6.0 ACCOUNTABILITY

The Investment Committee shall report its discussions to the Board by distributing the minutes of its meetings and, where appropriate, by oral reports at Board meetings.

7.0 COMMITTEE TIMETABLE

The timetable on the following pages outlines the Investment Committee's annual schedule of activities.

**TERMS OF REFERENCE FOR THE
INVESTMENT COMMITTEE**

INVESTMENT COMMITTEE TIMETABLE

Source			Fiscal 2007							
Statute/Reg	Terms of Reference		Apr	May	June	Aug	Oct	Nov	Dec	Feb
	5.1	INVESTMENT POLICIES								
		Review and recommend to the Board at least annually:								
s. 34	(a)	the Investment Statement (s. 13.3)								*
	(b)	the Investment Policies (s. 2.3)								*
	5.2	IMPLEMENTATION OF INVESTMENT POLICIES								
s. 34 (c)		Receive reports on the implementation of: the Investment Statement (IS) and the Investment Policies (IP) as follows:								
		Receive report from VP Finance regarding compliance with the Investment Policies quarterly (IP s. 2.2)		*		*		*		*
		Receive quarterly reports from VP Finance on Capital at Risk (IP s. 3.3.2.1)		*		*		*		*
		Receive quarterly reports from VP Finance on Active Risk (IP s. 3.3.2.2)		*		*		*		*
		Receive quarterly reports from VP Finance on Credit Exposure (IP s. 3.3.2.3)		*		*		*		*
		Receive quarterly reports from VP Finance on Long-Term Expected Return (IP s. 3.3.3)		*		*		*		*
		Receive reports from VP Finance, as required, regarding failure to comply with the Investment Policies (IP s. 7.3)								
		Receive quarterly Stress Testing (scenario analysis) report from VP Finance and VP Research and Risk Management (IP s. 3.3.2.4)		*		*		*		*
		Receive quarterly Backtesting reports from VP Finance and VP Research and Risk Management (IP s. 3.3.2.4)		*		*		*		*
		Receive quarterly investment constraints report from VP Finance (IP s. 4.2)		*		*		*		*
		Receive quarterly report on use of derivatives from VP Finance (IP s. 4.3)		*		*		*		*
		Receive quarterly short-term financing report from VP Finance (IP s. 4.4.2)		*		*		*		*

**TERMS OF REFERENCE FOR THE
INVESTMENT COMMITTEE**

Source			Fiscal 2007							
Statute/Reg	Terms of Reference		Apr	May	June	Aug	Oct	Nov	Dec	Feb
		Receive quarterly long-term financing report from VP Finance (IP s. 4.4.3)		*		*		*		*
		Receive quarterly other financing report from VP Finance (IP s. 4.4.4)		*		*		*		*
		Receive quarterly confirmation on engagement of external managers to the Board, and termination of external managers as required (IP s. 4.1.2)		*		*		*		*
		Receive annual proxy voting report from Management (IP s. 4.5)				*				
		Receive quarterly report on use of Soft Dollars from VP Finance (IP s. 4.7)		*		*		*		*
		Receive quarterly Portfolio Returns report from VP Finance (IP s. 6.2)		*		*		*		*
		Receive quarterly Benchmark Returns report from VP Finance (IP s. 6.3)		*		*		*		*
s. 34 (d)	5.3	COMPLIANCE WITH INVESTMENT STATEMENT AND INVESTMENT POLICIES								
		Review, evaluate and approve procedures that Management has implemented to monitor compliance with the Investment Statement and Investment Policies by receiving Management's annual report on specified internal controls annually		*						
	5.4	EXTERNAL MANAGERS – CRITERIA AND PROCESS FOR SELECTION								
s. 34 (b)		Oversee the criteria and process for selection of external investment managers with discretionary authority to invest the assets of the CPP Investment Board (ongoing)								
	5.5	ENGAGEMENT OF EXTERNAL MANAGERS								
s. 34 (b)		Approve engagement of investment managers with discretionary authority to invest the assets of the CPP Investment Board (ongoing)								
	5.6	EXTERNAL MANAGERS – MONITORING								
		Oversee the process for monitoring external investment managers with discretionary authority to invest the assets of the CPP Investment Board (ongoing)								

**TERMS OF REFERENCE FOR THE
INVESTMENT COMMITTEE**

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Statute/Reg	Terms of Reference		Apr	May	June	Aug	Oct	Nov	Dec	Feb		
	5.7	CUSTODIAN										
		Approve the selection of custodians (ongoing)										
	5.8	INVESTMENT TRANSACTIONS										
		Approve all other Investment Transactions (as defined in the Authorities Policy) other than as specifically governed by the Authorities Policy (as required)										
	5.9	INVESTMENT AUTHORITIES										
		Approve investments beyond delegated limits (ongoing)										
		GUIDELINES FOR BOARD COMMITTEES (S. 2.3)										
		Review Terms of Reference for the Investment Committee annually and recommend changes to the Board when warranted	*									