



OUR ACCOUNTABILITY

CEIFB ANNUAL REPORT 2010–2011

THE CEIFB TO DATE

June 2008

The CEIFB is created through Bill C-50 to ensure that Canadians can have confidence in the integrity of the financing of the Employment Insurance program

June–September 2009

CEIFB's Board of Directors is appointed.

January 1, 2010

Provisions come into force enabling the CEIFB to begin operating.

July 11, 2010

Provisions from the Budget Implementation Act 2010 come into force. The existing EI account is closed as of December 31, 2008 and a new EI Operating Account is established with a nil balance as of January 1, 2009.

October 28, 2010

New maximum variation levels enacted by an Order in Council limit the annual increase and decrease of the EI premium rate to five cents in 2011 and 10 cents in subsequent years.

November 12, 2010

The CEIFB publishes its first Rate Setting Report.

February 22, 2011

The CEIFB holds its first annual public meeting.

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ACCOUNTABLE TO CANADIANS

Funded through the contributions of Canadian employers and employees, Canada's Employment Insurance (EI) program provides support to individuals during periods of unemployment. The Canada Employment Insurance Financing Board was created to help ensure the financial sustainability of the EI program by setting EI premiums in a transparent way and temporarily holding and managing any surplus EI premiums that accrue.

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MESSAGE FROM THE CHAIR AND THE EXECUTIVE DIRECTOR



David A. Brown,
Chair



Phil Charko,
Executive Director

As we look back on our first full year of activity at the Canada Employment Insurance Financing Board, we are proud of the progress made.

Our key focus during this first year was to establish a rate-setting process that was both transparent and understandable to Canadians. In our first rate-setting report we described the steps required to determine the EI premium rate. This report was accompanied by an improved, reformatted report of the CEIFB's Chief Actuary which contains a forecast of the EI break-even rate; this is the rate that would have been required for calendar 2011 to permit the employment insurance system to break even by the end of the year. These tasks were complicated by the need to reflect Governmental changes late in the year to the design of the EI program and the replacement of the 15 cent rate cap with a cap of five cents for the year 2011.

To ensure transparency and broad understanding of our process and its outcome, last year we invited members of the media to submit comments and questions on the day the Rate Setting Report was issued, and made our annual report and Rate Setting Report available through our website. In February, we held our first annual public meeting. The entire Board of Directors was present to meet with and take questions from participants. The event improved our visibility and strengthened our understanding of the positions held by groups interested in the financing of the EI program.

The Board of Directors completed management policies for the CEIFB last year and approved terms of reference for the Board and its committees as well as detailed job descriptions for key positions within the organization. We also identified the resources needed to fulfill our legislative mandate and recruited appropriate staff. Because no funds for investment are expected in the near term, only limited work was performed on the CEIFB's investment management function.

In 2011-2012, we will build on lessons learned to improve our processes for setting the EI premium rate, and are prepared for challenges that may arise, whether externally or internally. The Government has announced public consultations on the financing of Canada's EI program. These could lead to further legislative changes affecting the parameters within which we work: we must be ready to adapt as required.

In the coming year we will also complete a Memorandum of Understanding with Human Resources and Skills Development Canada (HRSDC) to define the cooperative relationship between our two organizations, and we will continue our internal efforts to make the CEIFB as efficient as it can be, in line with Crown corporation best practices.

We thank our Board of Directors and staff for their contributions to the success of the CEIFB. We are grateful, as well, to the government departments and agencies with whom we collaborated, and look forward to continuing our work with them as we provide accountable, transparent stewardship to ensure the financial sustainability of Canada's EI program.

A stylized, handwritten signature in black ink, appearing to read 'DAB' followed by a long horizontal flourish.

David A. Brown C. M., Q. C.
Chair

A handwritten signature in black ink that reads 'Phil Charko' in a cursive script.

Phil Charko,
Executive Director

June 27, 2011

THE PURPOSE WE SERVE

After years of discussion about the best way to ensure that Employment Insurance (EI) premiums paid by Canadians relate directly to the cost of the EI program, in 2008 the federal government created the Canada Employment Insurance Financing Board (CEIFB) through modifications to the *Employment Insurance Act* and establishment of the *CEIFB Act*.

As a Crown corporation operating at arm's length from the Government of Canada, the CEIFB provides stewardship to the governance and management of EI financing. Its legislated mandate includes four primary functions:

1. **Setting the EI premium rate** for the upcoming year in a transparent fashion
2. **Maintaining the indexed reserve target** to ensure the EI Operating Account breaks even over time
3. **Managing any surplus EI premium funds** for the exclusive benefit of the EI program, and investing surplus EI premium funds held outside the Government Consolidated Revenue Fund
4. **Reporting publicly on the status** of the EI program financing, the Operating Account, and the forecast used to set the EI premium and break-even rates

SETTING THE EI PREMIUM RATE

Every October 31st, the CEIFB's Chief Actuary forecasts the EI premium break-even rate for the coming year for the EI Operating Account. The EI Operating Account was created by Parliament in 2010 to account for all credits and charges made under the *Employment Insurance Act* after December 31, 2008. It is a tracking account in the Accounts of Canada for the revenues and expenditures of the EI program. The break-even rate is the rate forecasted to produce EI premium revenues during the year equal to the sum of the amount forecast to be charged to the Operating Account during the year, plus any accumulated deficit in the Operating Account or minus any accumulated surplus.

Legislative changes in the fall of 2010 set revised limits on the amount by which the EI premium rate could be adjusted: five cents in 2011 for each \$100 of insurable earnings, and 10 cents for subsequent years.

The forecast EI break-even rate is based on information provided by the Minister of Human Resources and Skills Development and the Minister of Finance, and on assumptions developed by the Chief Actuary according to historical data. The economic and demographic projections provided by the Department of Finance

represent the averaging of major private-sector forecasts, and the Chief Actuary is required by the *Employment Insurance Act* to use these in calculating the break-even rate.

While the break-even rate is a significant determinant of the EI premium rate, it is not the only factor. Legislation also limits the annual change in the EI premium rate. In the fall of 2010, this limit was set at five cents for 2011 for each \$100 of insurable earnings, and 10 cents for subsequent years.

MAINTAINING THE INDEXED RESERVE TARGET

To help stabilize EI premium rates within the legislated parameters, the federal government has announced that it will provide the CEIFB with a \$2 billion payment to establish an indexed reserve. While the reserve target and its indexation formula have not yet been established, this has not affected the EI premium rate. The legislation provides that when surplus funds are held by the CEIFB at a time when the Operating Account is in a deficit position, on October 31 of the same year the surplus funds must be used to reduce or eliminate the deficit. Thus, had the \$2 billion been provided in 2010, it would have been returned to the Consolidated Revenue Fund by October 31, 2010.

MANAGING AND INVESTING SURPLUS EI PREMIUM FUNDS

The CEIFB will maintain an independently administered fund—separate from the Government of Canada's general revenue—to hold and manage surplus EI premium revenues. Any surplus revenue in excess of the indexed reserve target will be returned as necessary to finance the EI program, or used to reduce the future premium rate.

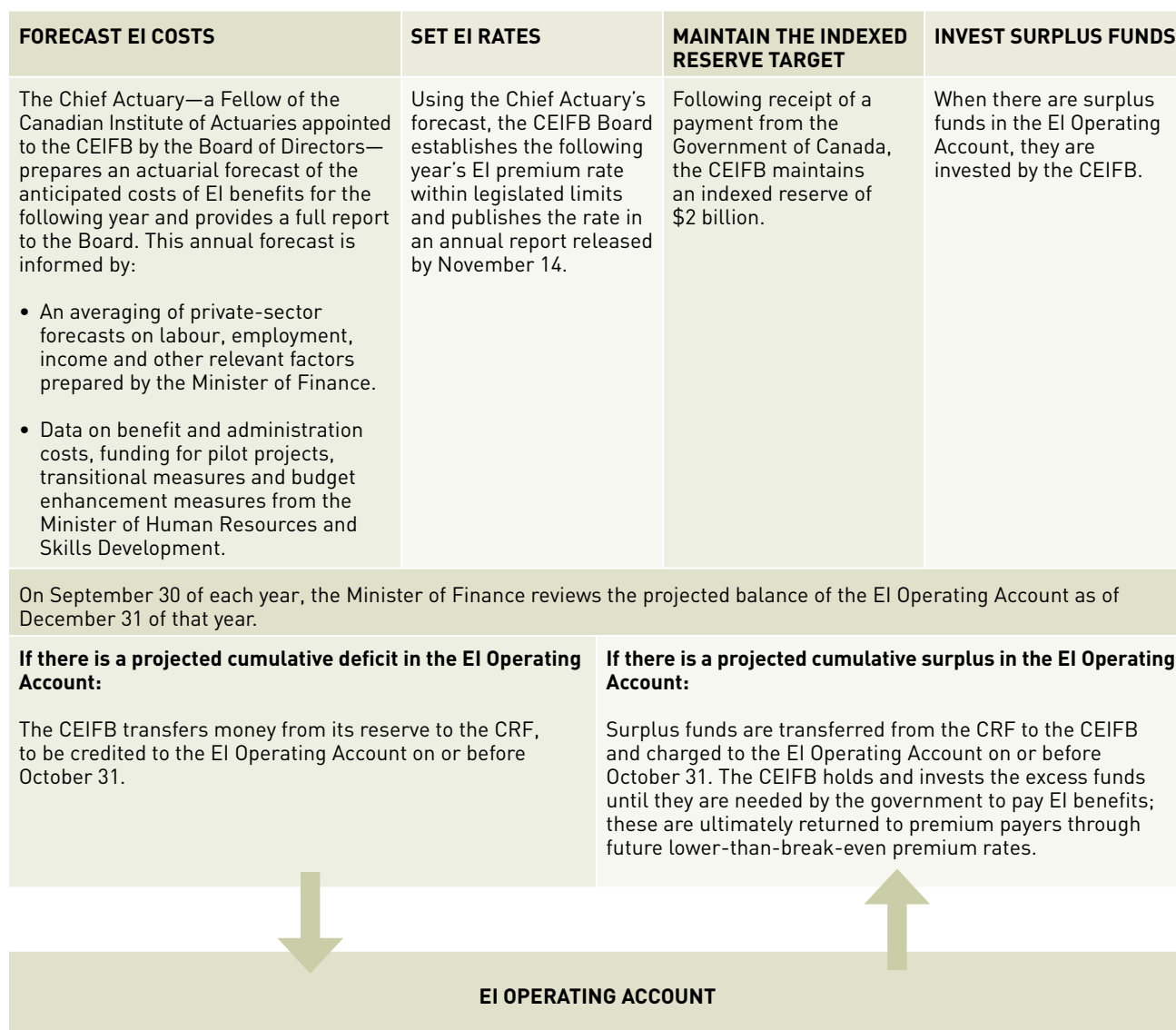
REPORTING PUBLICLY ON THE EI PROGRAM'S FINANCIAL STATUS

To help Canadians clearly understand the role of CEIFB as a steward of EI program financing—and to ensure transparency in its rate-setting process—the CEIFB reports annually to the Government of Canada, Parliament and the public, and publishes quarterly financial statements.

In addition, the CEIFB determines the Employment Insurance premium reductions for the registered wage loss replacement plans program and for the maternity, parental and adoption provincial plans. This work, closely related to the EI premium rate calculation, is performed on behalf of the Employment Insurance Commission.

HOW WE WORK

The Government of Canada manages the benefit design and the delivery of the country's EI program, including the collection of premiums. The CEIFB ensures the integrity of EI program financing and manages surpluses in the country's EI Operating Account, which was established with a nil balance on January 1, 2009. Since then, EI revenues have been credited to and benefits charged against it. Mechanisms are in place to track the balance in the EI Operating Account and record the transfer of funds between the government's Consolidated Revenue Fund (CRF) and the CEIFB. By December 31, 2011, the EI Operating Account is expected to have a deficit of \$10.4 billion.



THE YEAR IN REVIEW: 2010–2011

The CEIFB made progress in its first full year of operation, actively pursuing its mandate and producing its first Rate Setting Report. The organization had four strategic objectives for the year: to fulfill its legislated mandate, develop appropriate corporate structures and policies, establish the necessary human resources, and develop a robust reporting system.

SUMMARY OF CEIFB'S 2010-2011 OBJECTIVES AND ACCOMPLISHMENTS

The following is a summary of the CEIFB objectives from its 2010–2011 Corporate Plan, and the status of these objectives at the end of the year.

STRATEGIC OBJECTIVE	RESULTS	STATUS
Implement Legislative Mandate <i>Set the annual EI premium rate for 2011, and manage the investment account of excess EI premiums and the contingency cash reserve of \$2 billion</i>	Setting the EI premium rate The premium rate was set with the legislative objective of EI revenues and costs breaking even over a one-year cycle. The premium rate was limited to a five-cent increase by an Order in Council and reported to the public on the day the Board of Directors set the rate, within the requirements of the legislation.	Achieved
	Delivering the investment return expected for the \$2 billion reserve The CEIFB began establishing investment policies, standards and procedures that will be finalized in fiscal year 2011–2012. The CEIFB did not publish the expected rate of return on the reserve in the CEIFB annual report, as no funds were received.	Not Applicable
	Managing a separate bank account for any excess EI revenues The CEIFB took the reserve amount into account during the rate-setting process, and acknowledged its responsibility to hold EI funds until they are required for EI purposes within the requirements of the legislation; however no funds have been received.	Not Applicable
	Establishing sound investment policies The development of investment policies, standards and procedures within the requirements of the legislation began and will be finalized in fiscal 2011–2012. The CEIFB will monitor the application of these investment policies, standards, and procedures once developed and once funds have been received. Then, the CEIFB will also begin assessing the rate of return against a benchmark published in its annual report.	In Progress

STRATEGIC OBJECTIVE	RESULTS	STATUS
Strengthen Governance <i>Develop appropriate corporate structure and policies</i>	Setting up Board committees The CEIFB established investment, audit and human resources committees, and finalized terms of reference by the end of fiscal year 2010–2011. It also published the key responsibilities of Board committees in its annual report.	Achieved
	Developing terms of reference for the Board of Directors Terms of reference for the Board of Directors were tabled with the Minister of HRSD, and key responsibilities of the Board of Directors were published in the CEIFB annual report.	Achieved
	Developing corporate governance guidelines for officers and employees Operating policies and procedures and procurement guidelines were developed, and work on a code of conduct for directors, officers and employees was begun. The code of conduct will be finalized in 2011–2012 and made available to the public.	In Progress
Acquire Necessary Human Resources <i>Hire officials to build the CEIFB</i>	Selecting the Chief Executive Officer and the Chief Actuary The Board of Directors approved the policies and procedures to review and assess the performance of the Executive Director and Chief Actuary, and published the key responsibilities of the Executive Director and Chief Actuary in the CEIFB annual report.	Achieved
Report Accountably <i>Develop a robust reporting system</i>	Transmitting financial statements to the Minister and making them available to the public The CEIFB sent quarterly financial statements to the Minister of HRSD (Q1, Q2, Q3) and made financial statements available to the public within the requirements of the legislation.	Achieved
	Producing an annual report The CEIFB provided an annual report to the Minister of HRSD and the President of Treasury Board for tabling in Parliament, and made the report available to the public.	Achieved
	Establishing sound financial practices The CEIFB published an annual auditor's report and financial statements as required by its legislation, and developed an internal control framework.	Achieved

Further information with respect to the CEIFB's plans and objectives can be found on its website at www.ceifb-ofaec.ca.

The economic uncertainty of 2010 is expected to continue, making the context in which the CEIFB will set the EI premium rate similar to that of last year.

OUTLOOK FOR 2011–2012

SUMMARY OF OBJECTIVES FOR 2011-2012

OBJECTIVE 1: Review the effectiveness of the 2011 EI rate setting process and set the EI rate for 2012	
Action	
<i>Identify potential process improvements</i>	The CEIFB will continue to improve the EI premium rate-setting process. Last year's process will be reviewed to determine what succeeded or requires improvement. The variance between the 2011 forecast and actual break-even rates will be determined, and performance measures will be established to evaluate current and future projections.
<i>Set the EI premium rate for 2012</i>	The Chief Actuary will forecast the 2012 EI break-even rate and the Board will set the EI rate.
OBJECTIVE 2: Establish investment policies and procedures	
Action	
<i>Develop investment policies and procedures to manage the reserve</i>	The CEIFB will finish developing its Statement of Investment Policies, Standards and Procedures (SIPSP) for managing the reserve when funds are received. The SIPSP specifies investment objectives for the reserve, the constraints (quantitative limits, asset allocation and eligible investment instruments), and the approach to financial risk management. Development of the SIPSP is pursuant to Section 7(a) of the <i>CEIFB Act</i> , which requires the Board of Directors to establish and annually review written investment policies, standards and procedures.
<i>Support the development of investment and indexing regulations by government</i>	Under the <i>CEIFB Act</i> , the federal government establishes regulations for CEIFB investments. The CEIFB will support the development of these regulations and limitations with respect to its investments, and will support the development of regulations specifying how the reserve will be indexed. The Governor in Council will create regulations on the joint recommendation of the Minister of HRSD and the Minister of Finance.

OBJECTIVE 3: Maintain an effective relationship with the Government of Canada	
Action	
<i>Develop a formal process for interaction between the Government and CEIFB</i>	The rate-setting process requires periodic communication with the departments of Finance and Human Resources and Skills Development Canada, as their data are used by the CEIFB. The organization will participate in the development of a Memorandum of Understanding with HRSDC to address issues relating to the provision of data, mathematical models and other electronic tools that facilitate rate setting, and communication protocols.
<i>Support the government's consultation process to improve EI contribution rate stability</i>	The CEIFB will support the government in its consultation by responding to requests for information or comments on proposals.
OBJECTIVE 4: Continue the development of best practices in Board governance	
Action	
<i>Develop conflict of interest policies, and disclosure procedures with respect to investments</i>	The Board will establish conflict of interest policies and disclosure procedures consistent with government policies. A document, <i>Disclosure of Wrongdoing in the Workplace</i> , will form part of the broader policy. The conflict of interest policy will be in place early in 2011–2012. Procedures will also be established regarding disclosure of investments by Board members and staff, relative to investments to be held by the CEIFB.
<i>Develop the CEIFB's Framework for Enterprise Risk Management (ERM)</i>	The CEIFB will develop and implement an ERM Framework, identifying key strategic, operational and financial risks, assessing their severity and likelihood, and ensuring that processes are in place to manage and mitigate risk. The identified risks will be considered in the 2012-13 corporate strategy.
<i>Continue Board self-assessment</i>	The Board will continue to utilize a self-assessment process for the Board and the its committees.
OBJECTIVE 5: Ensure key parties of interest understand the mandate of the CEIFB	
Action	
<i>Implement the communication and outreach strategy as approved by the Board of Directors in 2010/2011</i>	The CEIFB mandate and role still may not be well known by the media and the public. A communication and outreach strategy will be implemented to explain its mandate and activities to key parties.
<i>Improve CEIFB website access and information</i>	The CEIFB website is a key tool in providing the public with information about the CEIFB. In 2011–2012, improvements will be made to the site.
OBJECTIVE 6: Completion of management policies	
Action	
<i>Complete the suite of management policies and procedures</i>	The CEIFB will complete its suite of policies and procedures to ensure efficient operational management. These will include policies in the areas of HR, access to information, internal audit, shared services and performance measurement.

GOVERNANCE (BOARD AND COMMITTEES)

THE ROLE OF THE BOARD OF DIRECTORS

The CEIFB's Board of Directors ensures that the organization fulfills its legislated mandate. It establishes strategic direction, monitors the corporation's performance and safeguards resources. It also has a unique statutory role: that of setting the Employment Insurance premium rate.

The CEIFB's Board of Directors is composed of a part-time Chair and six part-time directors. Directors have terms of up to four years, after which they are eligible for reappointment. The CEIFB's current Board was appointed between June and September 2009 and held its first meeting on September 24, 2009.

MAIN LEGISLATED RESPONSIBILITIES

The legislation governing the CEIFB requires its Board of Directors to:

- Annually establish Canada's Employment Insurance premium rate
- Approve the CEIFB's investment policies, standards and procedures
- Establish Board committees
- Appoint an independent auditor, Chief Executive Officer and Chief Actuary
- Report on the CEIFB's annual achievements
- Oversee the management of the CEIFB and its risk-management activities
- Hold an annual public meeting and engage in ongoing outreach

GOVERNANCE STRUCTURES

As part of its commitment to conduct itself responsibly, the Board has established appropriate control and reporting mechanisms. To assist the Board in carrying out its responsibilities—which last year included setting up three committees and their terms of reference (an Investment and Actuarial Services Committee; an Audit Committee; and a Human Resources and Governance Committee)—a Board governance framework was established in 2010–2011.

The Board of Directors convened a number of meetings in 2010–2011 to ensure the CEIFB would fulfill its legislated mandate and to establish appropriate corporate policies and practices. The Board has the power to delegate authority to the CEIFB's executive management and board committees, setting clear goals and reporting structures and evolving its corporate governance practices and risk-management framework.

ETHICAL STANDARDS

The CEIFB's code of conduct and values restricts directors, officers and staff from engaging in activities that create conflicts of interest with their CEIFB responsibilities. The code and detailed conflict of interest guidelines will be finalized and available in 2011–2012.

PUBLIC ACCOUNTABILITY

To ensure the financing of Canada's EI program is fully transparent, the CEIFB is required to report annually to the government, Parliament and the public. This will occur through several vehicles. The Premium Rate report published annually on November 14 by the CEIFB Board of Directors sets the following year's rate for EI premiums. Its annual report describes governance and investment activities and key accomplishments, as well as objectives for the subsequent fiscal year. It also includes audited financial statements and a statement of compliance to the Board's investment policies and objectives. The CEIFB also publishes quarterly financial statements and will submit to a special examination of its systems and practices every five years.



COMPENSATION

Directors' fees and other compensation are determined in accordance with Government of Canada guidelines for Crown corporations. The annual retainer for Board members is \$5,400 and \$10,800 for the Chair. The per diem rate is \$420. In 2010–2011, Board members' compensation including per diems, totaled \$126,000.

The Executive Director oversees the business and day-to-day operations of the organization while exercising the powers and performing the duties of Chief Executive Officer. The Executive Director's total compensation in 2010–2011 was \$164,408.

BOARD COMMITTEES

The Board has established three committees, each made up of four directors and the Board Chair.

AUDIT COMMITTEE

The Audit Committee ensures the organization's standards of financial integrity are met by overseeing the CEIFB's finances. It monitors the CEIFB's financial reporting, internal control systems and compliance with applicable legal and regulatory requirements, and reviews the financial aspects of the CEIFB's risk-management plan.



INVESTMENT AND ACTUARIAL SERVICES COMMITTEE

The Investment and Actuarial Services Committee oversees the CEIFB's investment function, including making recommendations on investment policies, standards and procedures and on the selection of potential investment managers. It also oversees the CEIFB's actuarial services, including determining the format of the Chief Actuary's report and the process for the periodic independent review of that document.

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

The Human Resources and Governance Committee is responsible for the human resources management function of the CEIFB, including the development of human resource management policies and compensation. It also oversees the CEIFB's corporate governance, assessing and reviewing terms of reference for the Board and committees, conducting Board evaluations and overseeing the application of the organization's code of conduct and values as well as principles and procedures for avoiding conflicts of interest. It also recommends to the Board procedures for providing consultation to the Nominating Committee on Board candidates.

INDEPENDENT NOMINATING COMMITTEE

The three-person Nominating Committee selects the seven members of the CEIFB's Board of Directors in accordance with the CEIFB's founding legislation as established by the Minister of Human Resources and Skills Development. The Nominating Committee, which includes the Commissioner of Employers and Commissioner of Employees, also establishes and maintains a list of potential candidates for future appointment.

DIRECTOR ATTENDANCE: BOARD AND COMMITTEE MEETINGS

Directors	Board Meetings¹	Audit Committee Meetings²	HR and Governance Committee Meetings³	Investment and Actuarial Services Committee Meetings⁴
David A. Brown	11/11	8/8	7/7	7/7
Elaine Noel-Bentley	11/11	N/A	7/7	7/7
Janet Pau	11/11	7/8	N/A	7/7
Pankaj Puri	9/11	7/8	N/A	5/7
Tim O'Neill	10/11	N/A	7/7	7/7
Jacques Leblanc	10/11	7/8	7/7	N/A
Gilles Bernier	10/11	7/8	7/7	N/A

1: This includes seven in person meetings and four teleconferences

2: This includes four in person meetings and four teleconferences

3: This includes six in person meetings and one teleconference

4: This includes six in person meetings and one teleconference



BOARD OF DIRECTORS



DAVID A. BROWN

Mr. Brown has held the position of senior corporate law partner with the firm Davies Ward Phillips & Vineberg for 30 years. He is past Chairman and Chief Executive Officer of the Ontario Securities Commission, founding Chair of the Council of Governors of the Canadian Public Accountability Board, and past Chair of the Auditing and Assurance Standards Oversight Council. He sits on the Boards of the University Health Network and Public Policy Forum, and on the Boards of Directors and Advisory Boards of the public mutual funds managed by Invesco Trimark Limited. Mr. Brown is currently Chair of the Board of Directors of the CEIFB and a member of its Audit, HR and Governance, and Investment and Actuarial Services Committees.



ELAINE NOEL-BENTLEY

Ms. Noel-Bentley was responsible for compensation, pensions and benefits, and payroll as Senior Director of Total Compensation at Petro-Canada. Her experience in both the private and public sectors includes the insurance industry, human resources consulting and the Alberta public service. Ms. Noel-Bentley was a member of the Joint Expert Panel on Pension Standards, which reviewed pension legislation and reported its recommendations to the Alberta and British Columbia Ministers of Finance. She's a member of several boards, including the Board of Trustees of the Local Authorities Pension Plan and the APEX Supplementary Pension Plan Board of Directors. Ms. Noel-Bentley is Chair of the HR and Governance Committee of the CEIFB and a member of its Investment and Actuarial Services Committee.



JANET PAU

Janet Pau is a Chartered Financial Analyst whose senior executive experience includes 21 years with Canfor Corporation, from which she retired in 2004 as Vice-President and Treasurer. Ms. Pau previously served as Assistant Portfolio Manager of Fixed Income for the Bank of Nova Scotia. She is currently a board member for the Board of Governors of the University of British Columbia and the British Columbia Safety Authority. Ms. Pau is Chair of the CEIFB's Investment and Actuarial Services Committee and a member of the Audit Committee.



PANKAJ PURI

Mr. Puri is currently President of Independent Internal Audit Services Inc. and has significant experience in accounting and auditing at the senior executive level with CIBC, TD Bank and Coopers and Lybrand. He brings a proven record of accomplishment in accounting, financial management, internal audit, privacy and governance to the CEIFB Board. He is a current board member with Helping Hands International, and sits on the advisory committees of Kela Medical and NMI Tax Consultants. He is also a past board member of the United Way of Greater Toronto and the Greater Toronto Regional Council of the Canadian Red Cross. Mr. Puri is Chair of the CEIFB's Audit Committee and a member of its Investment and Actuarial Services Committee.



TIM O'NEILL

Mr. O'Neill brings to the CEIFB Board of Directors more than 30 years' experience as a high-profile economist and senior executive in private, public and postsecondary education sectors in Canada and the United States. He is currently President of O'Neill Strategic Economics and is the former Executive Vice-President and Chief Economist of the Bank of Montreal. He is also a past President of the Atlantic Provinces Economic Council and of the Washington-based National Association for Business Economics. Mr. O'Neill serves on the Boards of the Independent Electricity System Operator (Ontario) and the United Church of Canada Foundation. He is a member of the CEIFB's HR and Governance, and Investment and Actuarial Services Committees.



JACQUES LEBLANC

Mr. Leblanc's 43 years of experience as a chartered accountant include 15 years as a fellow of the Ordre des comptables agréés du Québec. A graduate of Université Laval, he holds certification from the Collège des administrateurs de sociétés, and was a partner in the firm Leblanc Bourque Arsenault for 25 years. In addition to his participation with the CEIFB's Board, he also sits on the Board of Directors of Hydro Québec. Mr. Leblanc is a member of the Audit and HR and Governance Committees of the CEIFB.



GILLES BERNIER

Mr. Bernier has spent more than 30 years as a professor of finance and insurance in the Faculty of Business Administration at Université Laval, and serves as the institution's Industrial-Alliance Insurance and Financial Services Chair. Mr. Bernier holds a Ph.D. in finance from the University of Toronto and a governance certification from Laval's Collège des administrateurs de sociétés. He has published extensively on issues related to Canada's insurance industry and personal finance. He sits on several boards of directors and is a member of the Actuarial Standards Oversight Council established by the Canadian Institute of Actuaries. Mr. Bernier is a member of the CEIFB's Audit and HR and Governance Committees.

FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2011

The year ended March 31, 2011 was the first full 12 month period of operation for the Canada Employment Insurance Financing Board (CEIFB). Total expenses for the year were \$1,424,544 against a budget of \$2,635,124.

The underlying objectives of the CEIFB's financial management are to achieve internal control and cost effectiveness. As a relatively small organization only those services required are procured, and experts are contracted with as needs arise.

During the year, the CEIFB's organizational structure was developed reflecting the need for a staff complement of eight people. Only two of these eight individuals have been hired as full time employees of the CEIFB, whereas the balance of the team is engaged on an as-required basis. Compensation costs for the fiscal year of \$478,390 include employee payroll costs, and honorarium and per diem fees paid to the Board of Directors. Also included in this amount are payroll costs incurred for the Chief Actuary and his team of two people, whose services were obtained through an employee interchange agreement with the Department of Human Resources and Skills Development Canada.

Management and administration fees of \$298,689 include costs for the Executive Director and Chief Financial Officer, who are on contract with CEIFB. The organization engaged a number of consultants to assist with initiatives including translation, an independent actuarial review of the Chief Actuary's work and support in the issuance of the Board's Premium Rate Setting report.

Travel costs of \$82,636 were incurred by members of the Board of Directors, who are located across the country, to attend Board and committee meetings.

The total costs for the fiscal year were significantly less than budgeted. This is partly due to the fact that the organization continued to ramp up by hiring staff throughout the year. And, because the CEIFB is not yet investing excess EI Operating Account funds, some budget expenditures were not incurred.

DECLARATION OF INVESTMENTS

In accordance with Section 34 of the *Canada Employment Insurance Financing Board Act*, this annual report is required to contain a certification that investments held by the CEIFB are in accordance with its investment policies. As no investments are being held, no such certificate has been issued.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Canada Employment Insurance Financing Board ("CEIFB") is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with the audited financial statements. These financial statements, approved by the Board, were prepared in accordance with Canadian public sector accounting standards. Other operational and financial information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Employment Insurance Financing Board Act* and the by-laws of the CEIFB. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the CEIFB are carried out effectively.

These financial statements have been independently audited by the CEIFB's external auditor, the Auditor General of Canada, and her Auditor's Report is included in this annual report.



Phil Charko
Executive Director



Karin Zabel
Chief Financial Officer

May 30, 2011

INDEPENDENT AUDITOR'S REPORT

To the Minister of Human Resources and Skills Development

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statement of Canada Employment Insurance Financing Board, which comprise the statement of financial position as at 31 March 2011, and the statement of operations, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

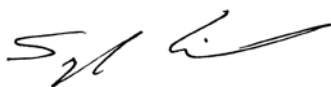
OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Canada Employment Insurance Financing Board as at 31 March 2011, and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Employment Insurance Financing Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Employment Insurance Financing Board Act* and the by-laws of Canada Employment Insurance Financing Board.



Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

30 May 2011
Ottawa, Canada

STATEMENT OF FINANCIAL POSITION

As at March 31 (in Canadian dollars)	2011	2010
FINANCIAL ASSETS		
Cash	\$ 469,467	\$ 273,832
Receivables	–	1,652
Security deposit	7,011	1,550
TOTAL FINANCIAL ASSETS	476,478	277,034
LIABILITIES		
Accounts payable and accrued liabilities	122,718	129,298
Due to the Employment Insurance Operating Account (Note 4)	364,316	147,736
Deferred Capital Funding (Note 6)	7,876	–
TOTAL LIABILITIES	494,910	277,034
NET DEBT	\$ (18,432)	\$ –
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	7,876	–
Prepaid expenses	10,556	–
TOTAL NON-FINANCIAL ASSETS	\$ 18,432	\$ –
ACCUMULATED SURPLUS	\$ –	\$ –

The accompanying notes form an integral part of these financial statements.
Contractual obligations Note 8

Approved by the Board:



David A. Brown
Chair



Pankaj Puri
Director

STATEMENT OF OPERATIONS

For the year ended March 31 (in Canadian dollars)	2011 Budget (Note 10)	2011 Actual	2010 Actual (Note 1)
EXPENSES			
Compensation	\$ 1,231,000	\$ 478,390	\$ 68,861
Management and Administration fees	–	298,689	38,087
Consulting services	815,000	308,700	–
Corporate reports	–	38,048	–
Legal fees	195,000	49,288	–
Accommodation	172,000	83,864	2,146
Office expenses	39,734	47,832	6,462
Professional fees and development	105,000	5,712	–
Travel	75,000	82,636	13,203
Board meetings	–	26,401	365
Other	–	2,499	–
Amortization of tangible capital assets	2,390	2,390	–
Interest and bank charges	–	95	140
 Total expenses before funding from the Employment Insurance Operating Account	 \$ 2,635,124	 \$ 1,424,544	 \$ 129,264
FUNDING			
Amortization of deferred capital funding	(2,390)	(2,390)	–
Funding from the Employment Insurance Operating Account	(2,632,734)	(1,422,154)	(129,264)
 Total funding from the Employment Insurance Operating account	 (2,635,124)	 (1,424,544)	 (129,264)
 ANNUAL SURPLUS AND ACCUMULATED SURPLUS AT THE BEGINNING AND END OF THE PERIOD	 \$ –	 \$ –	 \$ –

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31 (in Canadian dollars)	2011		2011	2010
	Budget (Note 10)		Actual	Actual (Note 1)
NET DEBT AT BEGINNING OF THE PERIOD	\$ -	\$	-	\$ -
CHANGE IN NET DEBT DURING THE PERIOD				
Acquisition of tangible capital assets	(10,266)		(10,266)	-
Amortization of tangible capital assets	2,390		2,390	-
Increase in prepaid expenses	-		(10,556)	-
NET DEBT AT END OF THE PERIOD	\$ (7,876)	\$	(18,432)	\$ -

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOW

For the year ended March 31 (in Canadian dollars)	2011	2010
		(Note 1)
OPERATING ACTIVITIES		
Annual surplus	\$ -	\$ -
Amortization of tangible capital assets	2,390	-
Amortization of deferred capital funding	(2,390)	
Changes in non-cash working capital items		
Decrease (increase) in receivables	1,652	(1,652)
Increase in security deposit	(5,461)	(1,550)
Increase in prepaid expenses	(10,556)	-
Increase in due to the Employment Insurance Operating Account	216,580	147,736
Increase(decrease) in accounts payable and accrued liabilities	(6,580)	129,298
CASH PROVIDED BY OPERATING ACTIVITIES	195,635	273,832
CAPITAL INVESTMENT ACTIVITIES		
Purchase of tangible capital assets	(10,266)	-
FINANCING ACTIVITIES		
Funding used to purchase tangible capital assets	10,266	-
NET INCREASE IN CASH	\$ 195,635	\$ 273,832
Cash at beginning of the period	273,832	-
CASH AT END OF THE PERIOD	\$ 469,467	\$ 273,832

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011 (in Canadian dollars)

1. AUTHORITY AND MANDATE

The Canada Employment Insurance Financing Board (CEIFB) was established on June 20, 2008 under the *Canada Employment Insurance Financing Board Act* (the “*CEIFB Act*”). The CEIFB is a Crown corporation listed under Part I, Schedule III of the *Financial Administration Act* and is not an agent of her Majesty.

The mandate of the CEIFB as set out in section 4 of the *CEIFB Act* is:

- a) To set the premium rate under section 66 of the *Employment Insurance Act*;
- b) To maintain a reserve in accordance with that section of the *Employment Insurance Act*;
- c) To manage any amounts paid to it under section 77.1 of the *Employment Insurance Act*; and
- d) To invest its financial assets with a view to meeting its financial obligations.

The transfer of monies to the CEIFB for purposes of establishing a reserve has not occurred.

The first meeting of the Board of Directors was held on September 24, 2009 and active operations commenced in February 2010 with the engagement of an Executive Director of the CEIFB.

Pursuant to section 27, 4(d) of the *CEIFB Act*, the Board of Directors is required to issue an annual Statement of Investment Portfolio. However given the CEIFB did not hold any investments during the period ending March 31, 2011, such a statement has not been issued.

The CEIFB is not subject to income tax under the provisions of the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and include the following significant accounting policies:

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011 (in Canadian dollars)

A) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period for which they are determined to be necessary. Actual results could differ from these estimates. The main estimates used in the preparation of the financial statements include the amount of accrued liabilities and the estimated useful life of tangible capital assets.

B) CASH

Cash is comprised of bank account balances net of outstanding cheques.

C) TANGIBLE CAPITAL ASSETS

Tangible capital assets are stated at cost less accumulated amortization. Amortization is based on the straight-line method, using rates based on the estimated useful life of the assets as follows:

Computer hardware	30%
-------------------	-----

D) FUNDING FROM THE EMPLOYMENT INSURANCE OPERATING ACCOUNT

The CEIFB is funded 100% by monies paid out of the Consolidated Revenue Fund and charged to the Employment Insurance Operating Account. The amount of funding required to fully recover operational expenditures is recognized as a credit to the statement of operations. Under the existing funding arrangement, any monies received in excess of operational needs are to be repaid to the Employment Insurance Operating Account.

E) DEFERRED CAPITAL FUNDING

The portion of the funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital funding and is amortized as revenue over the useful life of the related tangible capital assets.

F) EXPENSES

Expenses are recognized when goods and /or services are received.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011 (in Canadian dollars)

3. FINANCIAL INSTRUMENTS

FAIR VALUE

The fair values of cash, receivables, accounts payable and accrued liabilities and due to the Employment Insurance Operating Account are considered by management to be comparable to their carrying values due to their short term to maturity. All of these financial instruments arose in the normal course of business.

4. DUE TO THE EMPLOYMENT INSURANCE OPERATING ACCOUNT

The CEIFB requests monies to fund costs of operations throughout the year. These are charged to the Employment Insurance Operating Account and any monies received in excess of current operational needs are to be repaid to the Employment Insurance Operating Account. As such, this amount has been recognized as a liability on the statement of financial position as at March 31, 2011.

	March 31, 2011	March 31, 2010
Balance: beginning of year	\$ 147,736	\$ –
Add: funding received during the year	1,649,000	277,000
Less: operating expenditures	(1,424,544)	(129,264)
Less: acquisition of tangible capital assets	(10,266)	–
Add: amortization of tangible capital assets	2,390	–
Balance: end of year	\$ 364,316	\$ 147,736

5. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			Net book value	
	Opening balance	Acquisitions	Closing balance	Opening balance	Amortization	Closing balance	March 31, 2011	March 31, 2010
Computer Equipment	\$ –	\$ 10,266	\$ 10,266	\$ –	\$ 2,390	\$ 2,390	\$ 7,876	\$ –

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011 (in Canadian dollars)

6. DEFERRED CAPITAL FUNDING

Deferred capital funding represents the unamortized portion of the funding received from the Employment Insurance Operating Account used to purchase depreciable tangible capital assets.

	March 31, 2011	March 31, 2010
Balance: beginning of year	\$ –	\$ –
Add: funding used to purchase tangible capital assets	10,266	–
Less: amortization of tangible capital assets	(2,390)	–
Balance: end of year	\$ 7,876	\$ –

7. RELATED PARTY TRANSACTIONS

The CEIFB is related in terms of common ownership to all other Government of Canada departments, agencies and Crown corporations. Pursuant to authority given in the *CEIFB Act*, the CEIFB enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are recorded at the exchange amount, which is considered by management to approximate fair value.

As at March 31, 2011, \$15,628 is due to the Canada Revenue Agency for withholding taxes (\$27,401 as at March 31, 2010).

8. CONTRACTUAL OBLIGATIONS

The CEIFB has entered into agreements for consulting services and leases for office premises. It has also entered into interchange agreements for three employees, with the Department of Human Resources and Skills Development Canada. Total contractual obligations as at March 31, 2011 are \$57,194 (\$20,200 as at March 31, 2010).

Subsequent to March 31, 2011, the CEIFB entered into contract for the provision of actuarial services for a one year period ending May 16, 2012. The organization also established an interchange agreement with the Department of Human Resources and Skills Development Canada for the services of one employee, which expires on November 14, 2011. The aggregate value of these two agreements is \$181,500.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011 (in Canadian dollars)

9. COMPARATIVE FIGURES

The 2010 comparative figures have been reclassified to conform to the 2011 financial statement presentation.

10. BUDGET FIGURES

The operating budget for the CEIFB for the year ended March 31, 2011 is \$2,643,000 as reflected in the CEIFB Corporate Plan for the 2010/11 to 2014/15 Planning Period, approved by Treasury Board. The budget has been modified to reflect activities related to the purchase and amortization of tangible capital assets. The chart below reconciles the approved budget to the budget figures reported in the Statement of Operations and Statement of Change in Net Debt.

STATEMENT OF OPERATIONS

	2010/11 Budget		
	Corporate Plan	Change	Adjusted Budget
EXPENSES	\$ 2,643,000	\$ –	\$ 2,643,000
Acquisition of tangible capital assets	–	(10,266)	(10,266)
Amortization of tangible capital assets	–	2,390	2,390
Total Expenses	\$ 2,643,000	\$ (7,876)	\$ 2,635,124
FUNDING			
Funding from Employment Insurance Operating Account	(2,643,000)	10,266	(2,632,734)
Amortization of deferred capital funding	–	(2,390)	(2,390)
Total Funding	\$ (2,643,000)	\$ 7,876	\$ (2,635,124)

STATEMENT OF CHANGE IN NET DEBT

	2010/11 Budget		
	Corporate Plan	Change	Adjusted Budget
CHANGE IN NET DEBT			
Acquisition of tangible capital assets	\$ –	\$ (10,266)	\$ (10,266)
Amortization of tangible capital assets	–	2,390	2,390
Total Change in Net Debt	\$ –	\$ (7,876)	\$ (7,876)

ANNEX: STATEMENT OF GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Board of Directors and takes into account the role of the executive management of the CEIFB who are appointed by the Board and are charged with the ongoing management of the organization. The Board encourages sound corporate governance practices designed to promote the well being and ongoing development of the CEIFB, having as its ultimate objective the best interests of the CEIFB. The Board believes that the CEIFB's corporate governance policies and practices are comprehensive and consistent with the *CEIFB Act*, and Treasury Board *Guidance for Federal Crown Corporations*.

The CEIFB principal guideline is the *CEIFB Act*, which sets out the mandate of the CEIFB, and the *Financial Administration Act*, Part X, which sets out the control and accountability regime for Crown Corporations. The CEIFB is also subject to other laws including the *Privacy Act*, the *Access to Information Act* and the *Official Languages Act*.

Duties, Objective and Mandate of the Board of Directors

The Board is responsible for the stewardship of the CEIFB, including oversight of management.

The CEIFB's Board of Directors is composed of a part time Chair and six part-time directors. Directors hold their offices for a term of up to four years, after which they are eligible for reappointment. The Board of Directors reports to Parliament through the Minister of HRSD.

In accordance with the CEIFB's founding legislation, the Minister of HRSD established a three person nominating committee to select the seven members of the Board of Directors. The nominating committee, which includes the Commissioner of Employers and Commissioner of Employees, also established and maintains a list of potential candidates for future appointment.

The Board's role is to oversee the management of the CEIFB and ensure that the organization fulfills its legislated mandate. It establishes the CEIFB's strategic direction, safeguards its resources and monitors the corporation's performance.

The legislation governing the CEIFB requires its Board of Directors to:

- Annually establish Canada's Employment Insurance Premium rate
- Approve the CEIFB's investment policies, standards and procedures
- Establish Board committees
- Appoint an independent auditor, Chief Executive Officer and Chief Actuary
- Report on CEIFB's annual achievements
- Oversee the management of the CEIFB and its risk management activities
- Hold an annual public meeting and engage in ongoing outreach

The Board is required to act honestly and in good faith in the best interests of the CEIFB. The Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors must use their specialist knowledge in carrying out their duties and are subject to higher standards of care in areas that relate to their expertise.

Among other duties, the Directors review and approve investment policies, standards and procedures; appoint the executive director and annually review his performance; determine with management the organization's strategic direction; review and approve the corporate plan and budget; appoint independent internal auditors; establish procedures to identify and resolve conflicts of interest; establish codes of conduct for Directors and employees; assess the performance of the Board itself and review and approve the communications strategy, including material disclosure such as the quarterly and annual financial statements, annual report and premium rate setting report.

Composition, Mandate and Activities of Board Committees

The Board has established three committees- investment and actuarial services, audit, and human resources and corporate governance. Each committee is made up of four directors and the Board Chair.

The Investment and Actuarial Services Committee has two primary responsibilities. The first is oversight of the CEIFB's investment function- which includes making recommendations on investment policies, standards and procedures and on selection of potential investment managers. The second is the oversight of the CEIFB's actuarial services, including development of the framework of the Chief Actuary's report.

The Audit Committee's mandate is to oversee the CEIFB's finances and ensure the organization's standards of financial integrity are met. The Committee monitors the CEIFB's financial reporting, internal control systems and compliance with applicable legal and regulatory requirements. It is also responsible for reviewing the financial aspects of the CEIFB's risk management plan and for recommending an external auditor to the Board.

The Human Resources and Governance Committee is responsible for the human resources management function of the CEIFB, including the development of human resource management policies and compensation. It also oversees the CEIFB's corporate governance, assessing and reviewing terms of reference for the Board and committees, conducting Board evaluations and overseeing the application of the organization's code of conduct and values as well as principles and procedures for avoiding conflicts of interest. It also recommends to the Board procedures for providing consultation to the Nominating Committee on Board candidates.

Decisions Requiring Prior Board Approval

Management's discretion in making operational and investment decisions is established in Board approved policies. The Board considers recommendations made by management to Board committees. In particular, Board approval is required for the strategic direction for the organization and the annual corporate plan and budget.

Procedures for the Assessment of Board Performance

The Board has established a process for self assessment of Board performance and that of its committees. The assessments are conducted through a confidential questionnaire which is submitted to, and summarized by, the Board chair.

Board Expectations of Management

Management is expected to comply with the *CEIFB Act* as well as policies approved by the Board including the Code of Conduct and Conflict of Interest Procedures. Management develops, with involvement from the Board, the strategic direction of the organization.

Management is expected to make full and timely disclosure to the Board of all material activities, including quarterly and annual financial results, and developments that may affect the reputation of the CEIFB.