

# OUR ACCOUNTABILITY

CEIFB ANNUAL REPORT 2011-2012

## LEGISLATIVE MILESTONES

### June 2008

The Canada Employment Insurance Financing Board (CEIFB) is created through Bill C-50 to ensure that Canadians can have confidence in the financing of the Employment Insurance (EI) program.

### June–September 2009

CEIFB's Board of Directors is appointed.

### January 1, 2010

Provisions come into force that allow the CEIFB to begin operating.

### July 11, 2010

Provisions from the *Budget Implementation Act* 2010 come into force, enabling the CEIFB to set the EI premium rate. The existing EI account is closed as of December 31, 2008 and removed from the accounts of Canada. 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. The federal government announces it will undertake consultations with Canadian individuals and businesses on improvements to the EI rate-setting mechanism to ensure rates are more stable and predictable.

### October 27, 2011

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 2012 and 10 cents in subsequent years.

### March 29, 2012

The Economic Action Plan 2012 announces legislative amendments to the *Employment Insurance Act* and the *Canada Employment Insurance Financing Board Act*.

Canada Employment Insurance Financing Board  
350 Albert Street, Suite 315  
Ottawa, Ontario, K1R 1A4  
Canada  
[www.ceifb-ofaec.ca](http://www.ceifb-ofaec.ca)

Phone: 613-943-7162  
Fax: 613-943-7163  
Email: [info@ceifb-ofaec.ca](mailto:info@ceifb-ofaec.ca)



Canada Employment  
Insurance Financing Board

Office de financement de  
l'assurance-emploi du Canada

Canada

## ACCOUNTABLE TO CANADIANS

Funded through contributions of Canadian employers and employees, Canada's Employment Insurance (EI) program provides temporary financial assistance to unemployed Canadians who have lost their job through no fault of their own while they look for work or upgrade their skills.

Canadians who are sick, pregnant, or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death, may also be assisted by Employment Insurance.

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

**T**his annual report marks the end of the second full year of activity of the Canada Employment Insurance Financing Board (CEIFB).

As with other organizations linked to economic activities, the CEIFB was challenged this past year by uncertainty in the global economy. The fragile state of the recovery led the Government of Canada to revise legislative limits in the maximum annual variation of the EI premium rate for 2012. Adopted on October 27, 2011, these revised limits aimed to sustain economic growth by leaving more money in the hands of employees and employers; however, those revisions lengthen the period over which the deficit in the EI account will be recovered.

All CEIFB legislative requirements were met in 2011–12. The organization ensured that the rate-setting process and the status of the EI Operating Account were communicated to Canadians in a clear and transparent manner. The Government of Canada implemented the EI premium rate as recommended in the 2012 Employment Insurance Premium Rate Report. The Chief Actuary also performed various services for the EI Commission, including determining the Maximum Insurable Earnings (MIE), the Wage Loss premium reduction, and the Maternity, Parental and Adoption (MPA) premium reduction.

In March 2012, the CEIFB welcomed Mr. Michel Millette as the new CEIFB Chief Actuary. His services were acquired through a five-year agreement with the Office of the Superintendent of Financial Institutions (OSFI), Office of the Chief Actuary. This agreement brings stability to the provision of actuarial services, strengthening the CEIFB. The CEIFB also signed an agreement with the Department of Human Resources and Skills Development for the provision of data and the transfer of actuarial models. The CEIFB now has the necessary tools to determine the EI break-even rate autonomously.

Results from the Government public consultation on how to make the EI premium rate more stable and predictable were included in the federal Budget on March 29, 2012. Several provisions will have an impact on the EI premium rate-setting mechanism and the mandate of the CEIFB. Legislative changes related to this announcement will be implemented in the upcoming years. CEIFB's organizational structure and size will be reviewed to ensure that it remains efficient in light of these amendments.

Nonetheless, the focus of this report is on the activities of the CEIFB from April 1, 2011 to March 31, 2012. However, the objectives for 2012-13 and beyond have been adjusted to reflect the announced amendments to the *EI Act* and *CEIFB Act*.

We thank our Board of Directors and staff for their efforts during this past year, as well as government departments and agencies for their collaboration and support. The CEIFB will continue to provide transparency and accountability for the financing of the EI program and will ensure that its mandate is delivered as cost effectively as possible.



David A. Brown C. M., Q. C.  
Chair of the Board of Directors



Phil Charko,  
Executive Director

June 8, 2012

# THE YEAR IN REVIEW: 2011–2012

The EI Operating Account is expected to break even on an annual basis in 2012. This will maintain the cumulative deficit at \$8.8 billion as at December 31, 2012.

## RATE SETTING

On November 14, 2011, the CEIFB set the EI premium rate for 2012 at \$1.83 per \$100 of insurable earnings—an increase of 5 cents from the previous year. An Order in Council, passed on October 27, 2011, has established the maximum annual variation for 2012 at 5 cents per \$100 and 10 cents for subsequent years. The break-even rate in the EI Operating Account was forecasted at \$2.56 per \$100 of insurable earnings. The EI Operating Account is expected to break even on an annual basis in 2012. This will maintain the cumulative deficit at \$8.8 billion as at December 31, 2012.

### ABOUT THE 2012 EI PREMIUM RATE-SETTING MECHANISM

On October 31st, 2011 the CEIFB's Chief Actuary forecasted the upcoming year EI premium break-even rate 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 serves as a tracking account in the Accounts of Canada for 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 EI Operating Account during the same year, plus any accumulated deficit in the Operating Account or minus any accumulated surplus.

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 limits the annual change in the EI premium rate.

On April 26, 2012, amendments to the *Employment Insurance Act* were tabled in Parliament. Once enacted, the EI premium rate for 2013 will be set based on new provisions contained in the amendments.

## ANNUAL PUBLIC MEETING 2012

On February 6, 2012 the CEIFB held its Annual Public Meeting. Both the Chair and the Executive Director presented the CEIFB's results for 2011–12 and objectives for the coming year. The meeting was well attended and created opportunities for the Board and management to meet with groups and individuals interested in the financing of the EI program.

## FISCAL RESTRAINT

Consistent with direction from the federal government, the Board implemented a budgetary philosophy reflecting fiscal restraint. Only necessary services were acquired, and the development of the organization followed the evolution of its immediate needs. For instance, the CEIFB has two full-time staff, and executive and actuarial services are acquired on a part-time basis. The CEIFB entered into agreements with Shared Services Canada for the cost-effective provision of information technologies security and infrastructure services.

## RISK MANAGEMENT ANALYSIS

In 2011–12, the CEIFB began implementation of a risk management framework designed to define and address the key risks it currently faces and those expected in the future, as required by the Board of Directors and best practices.

Specifically, the Board of Directors approved an Enterprise Risk Management policy that integrates the management of risks arising from the activities of the CEIFB. The policy assigns roles and responsibilities of the Board and of the management team with respect to risk management, establishes risk management processes, and defines key risk categories.

Management also conducted a first annual risk assessment, which it submitted to the Board of Directors, as specified by the Risk Management policy. The assessment identified two higher-risk categories: people risk, especially as it relates to the continuity of the actuarial function, and reputational risk. The assessment of these and other risks informs a number of actions in the corporate plan.

## TABLE OF RESULTS

The following table summarizes the CEIFB's corporate objectives from its 2011–12 Corporate Plan and the status of those objectives as of year-end.

CORPORATE OBJECTIVE	STATUS
<b>Objective 1: Review the effectiveness of the 2011 EI rate-setting process and set the EI rate for 2012</b>	
<b>Action</b>	
Identify potential process improvements	Achieved
Set the EI premium rate for 2012	Achieved with a new 5 cent legislative limit
<b>Objective 2: Establish investment policies and procedures</b>	
<b>Action</b>	
Develop investment policies and procedures as required by the <i>Canada Employment Insurance Financing Board Act</i>	Achieved
Support the development of investment and indexing regulations by the federal government	Deferred
<b>Objective 3: Maintain an effective relationship with the Government of Canada</b>	
<b>Action</b>	
Develop a formal process for interaction between the Government of Canada and the CEIFB	Memorandum of Understanding (MOU) with HRSDC signed
Support the government's consultation process to improve EI contribution rate stability	Consultation ended on November 30, 2011; results announced in the 2012 federal Budget
<b>Objective 4: Continue the development of best practices in Board governance</b>	
<b>Action</b>	
Develop conflict of interest policies and disclosure procedures with respect to investments	Achieved
Develop the Board's Framework for Enterprise Risk Management (ERM)	Achieved
Continue Board self-assessment	Achieved
<b>Objective 5: Ensure key parties of interest understand the mandate of the CEIFB</b>	
<b>Action</b>	
Implement the communication and outreach strategy as approved by the Board of Directors in 2010–11	Achieved
Improve the CEIFB Web site access and information	Achieved
<b>Objective 6: Completion of management policies</b>	
<b>Action</b>	
Complete the suite of management policies and procedures	Partially achieved



## OUTLOOK FOR 2012–2013

2012–13 initiatives will focus on improving the CEIFB's efficiency and allowing the organization to meet its legislative requirements at the lowest possible cost.

The CEIFB developed five long-term strategic objectives based on a balanced scorecard approach in its 2012–13 Corporate Plan. As the organization moves beyond its start-up phase, these objectives were established for the 2012–2017 period. As well, key initiatives were established for the upcoming year.

The 2012–13 initiatives will focus on improving the CEIFB's efficiency and allowing the organization to meet its legislative requirements at the lowest possible cost. Due to the fact that the investment function is several years away, the CEIFB will not devote any resources to investment activities in 2012–13.

On March 29, 2012 the government announced in the Economic Action Plan 2012 legislative changes to the EI premium rate-setting mechanisms as well an organizational review of the CEIFB size and structure. Changes to the rate-setting mechanism will be implemented through amendments to the *Employment Insurance Act*, which were tabled in Parliament on April 26, 2012. As the CEIFB's strategic objectives were formulated prior to tabling of the Economic Action Plan 2012, the CEIFB will review and modify some of the key initiatives for 2012–13 and key indicators in light of the new legislation and requirements.

The following table summarizes the CEIFB's strategic objectives with key initiatives for 2012–13.

STRATEGIC OBJECTIVES (2012–2017)	KEY INITIATIVES (2012–13)	KEY INDICATORS
<b>1. Provide stewardship for the financing of the EI program in an independent and transparent manner, aligned with government objectives, and in compliance with legislation.</b>	Set the premium rate for 2013.	The Chief Actuary will determine and analyze any difference between the premium rate set for 2010 and what that rate should have been in order to meet the objective of subsection 66(1) of the <i>Employment Insurance Act</i> . This includes the source of the data, the actuarial and economic assumptions and the actuarial methodology used. The Board will publish the 2013 EI premium rate.
	Communicate the program and activities of the CEIFB effectively and transparently.	The CEIFB will hold an Annual Public Meeting to report on its planned and past activities. The Chair and the Executive Director will be available to answer media questions on the day the Premium Rate Report is published.
	Monitor developments to ensure infrastructure is in place for the investment of monies received, when required.	The CEIFB will monitor the forecasts of the EI Operating Account to determine when plans need to be in place for investment.
<b>2. Continue to develop relationships with the Government of Canada and parties of interest in order to carry out the mandate of the CEIFB effectively.</b>	Fully implement MOU with HRSDC.	The CEIFB will develop a protocol to redirect queries and questions to the appropriate organization, and processes will be established to ensure that communication on material common to HRSDC and the CEIFB is consistent.
	Maintain an effective relationship with the Government of Canada to ensure policy coherence and collaboration while respecting the independence of the CEIFB.	The CEIFB will implement government recommendations resulting from public consultations on the EI premium rate-setting mechanism. Actuarial models will be modified and new procedures for EI premium rate-setting will be established. A formal meeting process with the EI commission will be conducted to ensure coherence and collaboration between the organizations.
	Adjust the outreach strategy based on the outcome of the consultation process.	The CEIFB will determine which key parties of interest need to be further engaged.
	Provide services to the EI Commission.	The CEIFB will determine on behalf of the EI Commission the Maximum Insurable Earning (MIE), the Wage Loss Premium Reduction, the Maternity, Parental and Adoption (MPA) Premium Reduction and the minimum amount Self-employed Earnings necessary to qualify for the benefits of the EI program.

STRATEGIC OBJECTIVES (2012–2017)	KEY INITIATIVES (2012–13)	KEY INDICATORS
<b>3. Ensure that CEIFB staff have the necessary competencies, skills and work environment to contribute to current and future corporate objectives.</b>	Review the organizational plan with respect to changes announced in the Economic Action Plan 2012.	The CEIFB will ensure that the revised organizational plan is consistent with legislation and provides the best value for money.
	Implement approved compensation policies and complete relevant human resources policies.	Management will implement approved compensation policies and develop policies in the area of staffing, conditions of employment and staff relations.
<b>4. Ensure financial resources are effectively and efficiently managed.</b>	Support the government's request to comply with the spirit and intent of the Strategic and Operating Review by generating savings from operating expenses and cost reduction.	The CEIFB will operate in 2012–13 with a reduced budget.
	Effectively manage the CEIFB budget.	The CEIFB will further develop its governance structure by implementing internal audit report recommendations.
<b>5. Maintain and update business processes and infrastructure to reflect ongoing needs of the corporation.</b>	Implement an IM/IT services and support environment for the CEIFB, including governance, policies, physical and electronic security, business continuity and a shared service arrangement with HRSDC to provide a robust, cost-effective information technology infrastructure with timely support services.	A security governance framework, security policies, and a Business Continuity Management (BCM) framework will be developed and submitted to the Board for approval.
	Undertake a review of financial management software needs with respect to internal control.	Financial management software will be reviewed and appropriate measures will be taken.

# 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 serve terms of up to four years, after which they are eligible for reappointment. The first Board of Directors meeting was held on September 24, 2009.

## MAIN LEGISLATED RESPONSIBILITIES

Legislation governing the CEIFB requires its Board of Directors to:

- Annually establish Canada's Employment Insurance premium rate
- Approve the CEIFB's Statement of 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 included creating three committees and their terms of reference (Investment and Actuarial Services Committee; Audit Committee; and Human Resources and Governance Committee)—a Board governance framework was established.

The Board of Directors convened four in-person meetings and five teleconferences in 2011–12 to ensure the CEIFB fulfilled 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, set clear goals and reporting structures and evolve 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 CEIFB's code of conduct, detailed conflict of interest guidelines and policy of internal disclosure of wrongdoing were approved by the Board in 2011–12 and published on the CEIFB Web site.



### PUBLIC ACCOUNTABILITY

To ensure that 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 is accomplished through several vehicles. The Premium Rate Report, published annually by November 14, sets the following year's EI premium rate. The CEIFB Annual Report describes governance, key accomplishments and objectives for the subsequent fiscal year; it also includes audited financial statements and a statement of management responsibility for financial reporting. The CEIFB Corporate Plan sets the organization's strategic direction and key activities for the years to come. The CEIFB also publishes quarterly financial statements, and will submit to a legislated special examination of its systems and practices conducted by the Auditor General.

### COMPENSATION

Directors' remuneration is 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 2011–12, Board members' compensation, including *per diems*, totaled \$97,747.

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 2011–12 was \$134,790.

## BOARD COMMITTEES

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

### AUDIT COMMITTEE

The Audit Committee ensures that 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 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 Independent Nominating Committee recommends 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. This committee, which includes the Commissioner of Employers and Commissioner of Employees, also establishes and maintains a list of potential candidates for future appointments.

### DIRECTOR ATTENDANCE: BOARD AND COMMITTEE MEETINGS, 2011–12

<b>Directors</b>	<b>Board of Directors<sup>1</sup></b>	<b>Audit Committee<sup>2</sup></b>	<b>HR and Governance Committee<sup>3</sup></b>	<b>Investment and Actuarial Services Committee<sup>4</sup></b>
David A. Brown	8/9	5/5	4/4	6/6
Elaine Noel-Bentley	8/9	N/A	4/4	6/6
Janet Pau	9/9	5/5	N/A	6/6
Pankaj Puri <sup>5</sup>	5/6	2/2	N/A	3/3
Tim O'Neill	9/9	N/A	4/4	6/6
Jacques Leblanc <sup>6</sup>	7/7	3/3	2/2	N/A
Gilles Bernier	9/9	5/5	4/4	N/A

1: This includes four in-person meetings and five teleconferences.

2: This includes three in-person meetings and two teleconferences.

3: This includes four in-person meetings.

4: This includes four in-person meetings and two teleconferences.

5: Mr. Puri's first term as Director of the Board ended on June 18, 2011. He was appointed for a second term on December 1, 2011.

6: Mr. Leblanc's first term as Director of the Board ended on August 3, 2011. He was appointed for a second term on October 20, 2011.



## 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. Mr. Brown is also past Chair of the Auditing and Assurance Standards Oversight Council and past Chair of the Public Policy Forum. He sits on the Board 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 (concluding in 2012) 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

Ms. 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 the private, public and post-secondary 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 past President of the Atlantic Provinces Economic Council and of the Washington-based National Association for Business Economics. Mr. O'Neill is the Chair of the Board of the Independent Electricity System Operator (Ontario) and serves on the Board of 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 44 years of experience as a chartered accountant include 16 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 multiple scientific and professional papers. He sits on different 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, 2012

Total expenses for the fiscal year ended March 31, 2012 were \$1,433,405. This compares to expenditures for the previous year of \$1,424,544.

Compensation costs include fees and honorariums paid to the Board of Directors, and salary and benefit costs for employees. In the last fiscal year, 2010/11, these amounts also included costs for the actuarial team. In 2011/12, actuarial services were obtained through a contracting arrangement and are reflected in the category “management and administration fees” and account for the increase in this category relative to last year’s costs.

During 2011/12, the CEIFB entered into a lease for office premises and moved into the new facilities in the fall of 2012. The organization had previously been located in a temporary office, which did not allow for all staff to be working in one location. Office expenses increased this year due to onetime costs related to the re-location.

Travel and board meeting costs have declined in the year ended March 31, 2012. The Directors held fewer meetings, and the new office location provides for meeting rooms that can accommodate the CEIFB, hence expenditures were reduced for the rental of meeting rooms.

As at March 31, 2012, the CEIFB had filed for a commodity tax rebate, with Canada Revenue Agency, in the amount of \$58,983. This pertains to a partial rebate of GST and HST paid on expenditures for previous years. Rebates for the current fiscal year, ending March 31, 2012 have been reflected in the expenses on the statement of operations.

The CEIFB entered into a shared service arrangement with Shared Services Canada, for the provision of information technology support. This is a cost effective arrangement for the CEIFB, compared to the hiring of staff to support the systems, and also ensures the organization’s security and IT policies are aligned with those of the government.

Overall the focus continues to be on cost efficiency and ensuring costs are only incurred as needed. For example, since the current forecasts indicate surplus funds for investment will likely not be available until 2016, any expenditure related to the establishment of an investment function has been delayed.

Total costs were significantly less than budgeted. The budget amounts continue to allow for costs related to the investment function, currently not needed, and for additional staff that were not required.

### 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 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.

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



Phil Charko  
Executive Director



Karin Zabel  
Chief Financial Officer

May 30, 2012



Auditor General of Canada  
Vérificateur général du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Minister of Human Resources and Skills Development

### Report on the Financial Statements

I have audited the accompanying financial statements of the Canada Employment Insurance Financing Board, which comprise the statement of financial position as at 31 March 2012, 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 public sector accounting standards, 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 misstatement.

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.

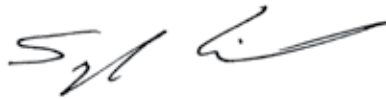
#### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canada Employment Insurance Financing Board as at 31 March 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Report on Other Legal and Regulatory Requirements**

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

Further, in my opinion, the transactions of the 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 regulations and the by-laws of the Canada Employment Insurance Financing Board.



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

30 May 2012  
Ottawa, Canada

## STATEMENT OF FINANCIAL POSITION

As at March 31 (in Canadian dollars)	2012	2011
<b>FINANCIAL ASSETS</b>		
Cash	\$ 523,466	\$ 469,467
Receivables (Note 11)	161,823	–
Security deposit	–	7,011
<b>TOTAL FINANCIAL ASSETS</b>	<b>685,289</b>	<b>476,478</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	81,414	122,718
Due to the Employment Insurance Operating Account (Note 5)	609,351	364,316
Deferred Capital Funding (Note 7)	–	7,876
<b>TOTAL LIABILITIES</b>	<b>690,765</b>	<b>494,910</b>
<b>NET DEBT</b>	<b>\$ (5,476)</b>	<b>\$ (18,432)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	62,441	7,876
Prepaid expenses	5,476	10,556
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>\$ 67,917</b>	<b>\$ 18,432</b>
<b>ACCUMULATED SURPLUS (Note 8)</b>	<b>\$ 62,441</b>	<b>\$ –</b>

The accompanying notes form an integral part of these financial statements.  
Contractual obligations Note 10

Approved by the Board:



David A. Brown  
Chair



Pankaj Puri  
Director

## STATEMENT OF OPERATIONS

For the year ended March 31 (in Canadian dollars)	2012	2012	2011
	Budget (Note 12)	Actual	Actual
<b>EXPENSES</b>			
Compensation	\$ 475,892	\$ 320,495	\$ 478,390
Management and Administration fees	1,247,890	565,903	298,689
Consulting services	205,000	265,563	308,700
Corporate reports	50,000	34,436	38,048
Legal fees	50,000	36,260	49,288
Premises	161,500	107,809	83,864
Office expenses	160,171	78,603	47,832
Professional fees and development	25,000	4,286	5,712
Travel	60,800	49,229	82,636
Board meetings	69,000	16,444	26,401
Commodity tax rebate (Note 11)	–	(58,983)	–
Other	72,518	2,871	2,499
Amortization of tangible capital assets	9,464	9,464	2,390
Interest and bank charges	1,200	1,025	95
 Total expenses before funding from the Employment Insurance Operating Account	 \$ 2,588,435	 \$ 1,433,405	 \$ 1,424,544
<b>FUNDING</b>			
Amortization of deferred capital funding	–	–	(2,390)
Recognition of deferred capital funding	(7,876)	(7,876)	–
Capital asset purchases	(64,029)	(64,029)	–
Funding from the Employment Insurance Operating Account	(2,578,971)	(1,423,941)	(1,422,154)
 Total funding from the Employment Insurance Operating account	 (2,650,876)	 (1,495,846)	 (1,424,544)
 <b>ANNUAL SURPLUS AND ACCUMULATED SURPLUS AT THE BEGINNING AND END OF THE PERIOD</b>	 \$ (62,441)	 \$ (62,441)	 \$ –

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)	2012	2012	2011
	Budget (Note 12)	Actual	Actual
NET DEBT AT BEGINNING OF THE PERIOD	\$ (7,876)	\$ (18,432)	\$ –
CHANGE IN NET DEBT DURING THE PERIOD			
Acquisition of tangible capital assets	(64,029)	(64,029)	(10,266)
Accumulated Surplus	62,441	62,441	–
Amortization of tangible capital assets	9,464	9,464	2,390
Decrease in prepaid expenses	–	5,080	(10,556)
NET DEBT AT END OF THE PERIOD	\$ –	\$ (5,476)	\$ (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)	2012	2011
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 62,441	\$ –
Amortization of tangible capital assets	9,464	2,390
Amortization of deferred capital funding	–	(2,390)
Changes in non-cash working capital items		
(Increase) decrease in receivables	(161,823)	1,652
Decrease (increase) in security deposit	7,011	(5,461)
Decrease (increase) in prepaid expenses	5,080	(10,556)
Increase in due to the Employment Insurance Operating Account	245,035	216,580
Decrease in deferred capital funding	(7,876)	–
(Decrease) increase in accounts payable and accrued liabilities	(41,304)	(6,580)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>118,028</b>	<b>195,635</b>
<b>CAPITAL INVESTMENT ACTIVITIES</b>		
Purchase of tangible capital assets	(64,029)	(10,266)
<b>FINANCING ACTIVITIES</b>		
Funding used to purchase tangible capital assets	–	10,266
<b>NET INCREASE IN CASH</b>	<b>\$ 53,999</b>	<b>\$ 195,635</b>
Cash at beginning of the period	469,467	273,832
<b>CASH AT END OF THE PERIOD</b>	<b>\$ 523,466</b>	<b>\$ 469,467</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (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.

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, 2012, 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:

#### 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

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

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%
Furniture and fixtures	20%
Leasehold improvements	20%

### 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 and tangible capital asset purchases 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

As at April 1, 2011, the portion of the funding received for the acquisition of depreciable tangible capital assets is recorded as revenue in the year of the purchase of the tangible capital asset. In prior years, the portion of the funding received for the acquisition of depreciable tangible capital assets was recorded as deferred capital funding and was 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, 2012 (in Canadian dollars)

### G) CHANGES IN ACCOUNTING POLICIES

#### Financial instruments

As of April 1, 2011, the CEIFB early adopted PSAS Section 3450, “Financial Instruments”. This new standard provides guidance for recognition, measurement and disclosure of financial instruments. CEIFB now discloses financial risks in note 3 to the financial statements. There were no quantitative impacts of adopting this standard.

All financial assets and liabilities are required to be measured at either fair value or cost or amortized cost.

The measurement category depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the CEIFB’s designation of said instruments at the time of initial recognition.

Measurement categories of financial assets and liabilities are as follows:

Cash	Cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to the Employment Insurance Operating Account	Amortized cost

#### Financial statement presentation

As of April 1, 2011, the CEIFB early adopted PSAS Section 1201, “Financial statement presentation”. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. There was no impact of adopting this standard.

#### Government transfers

As of April 1, 2011, the CEIFB early adopted revised PSAS Section 3410, “Government transfers”, which establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. In accordance with the transitional provision, the CEIFB applied the requirements of this standard prospectively. As a result, the deferred capital funding balance of \$7,876 as at April 1, 2011 has now been recognized as revenue.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

### 3. FINANCIAL INSTRUMENTS

#### A) 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.

#### B) FINANCIAL RISKS

##### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CEIFB is not subject to interest rate risk due to the nature of its financial instruments.

##### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The CEIFB is not subject to currency risk due to the nature of its financial instruments.

##### Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The CEIFB is not subject to other price risk due to the nature of its financial instruments.

##### Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit exposure of the CEIFB is represented by the fair value of cash as presented in the statement of financial position.

##### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The CEIFB's accounts payable and accrued liabilities, and the due to the Employment Insurance Operating Account are payable in the 2012-2013 financial year. CEIFB maintains sufficient short-term financial assets to meet its financial obligations.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

### 4. NET DEBT

The term “Net Debt”, as used in the statement of financial position, represents total financial assets less total liabilities, and the use of this term is required in accordance with Canadian public sector accounting standards. Under the *CEIFB Act*, the CEIFB is not allowed to borrow monies or enter into debt arrangements.

### 5. DUE TO THE EMPLOYMENT INSURANCE OPERATING ACCOUNT

The CEIFB requests monies to fund costs of operations and tangible capital asset purchases 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, 2012.

	March 31, 2012	March 31, 2011
Balance: beginning of year	\$ 364,316	\$ 147,736
Add: funding received during the year	1,733,005	1,649,000
Less: operating expenditures	(1,433,405)	(1,424,544)
Less: acquisition of tangible capital assets	(64,029)	(10,266)
Add: amortization of tangible capital assets	9,464	2,390
Balance: end of year	\$ 609,351	\$ 364,316

### 6. TANGIBLE CAPITAL ASSETS

Cost	Computer Equipment	Furniture and fixtures	Leasehold Improvements	March 31, 2012	March 31, 2011
Opening balance	\$ 10,266	\$ –	\$ –	\$ 10,266	\$ –
Acquisitions	10,083	41,261	12,685	64,029	10,266
Disposals	–	–	–	–	–
Closing balance	\$ 20,349	\$ 41,261	\$ 12,685	\$ 74,295	\$ 10,266

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

### 6. TANGIBLE CAPITAL ASSETS (CONTINUED)

Accumulated Amortization	Computer Equipment	Furniture and fixtures	Leasehold Improve- ments	March 31, 2012	March 31, 2011
Opening balance	\$ 2,390	\$ –	\$ –	\$ 2,390	\$ –
Amortization	4,501	3,897	1,066	9,464	2,390
Disposals	–	–	–	–	–
Closing balance	6,891	3,897	1,066	11,854	2,390
Net book value	\$ 13,458	\$ 37,364	\$ 11,619	\$ 62,441	\$ 7,876

### 7. 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, 2012	March 31, 2011
Balance: beginning of year	\$ 7,876	\$ –
Adjustment: deferred capital funding recognized as income due to a change in accounting policy	(7,876)	–
Adjusted 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

### 8. ACCUMULATED SURPLUS

The accumulated surplus balance at March 31, 2012, represents the net value of capital asset acquisitions less accumulated amortization.

	March 31, 2012	March 31, 2011
Balance: beginning of year	\$ –	\$ –
Add: recognition of deferred capital funding	7,876	–
Add: funding used to purchase tangible capital assets	64,029	–
Less: amortization of tangible capital assets	(9,464)	–
Balance: end of year	\$ 62,441	\$ –

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

### 9. 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, 2012, \$4,564 is due to the Canada Revenue Agency for withholding taxes (\$15,628 as at March 31, 2011).

### 10. CONTRACTUAL OBLIGATIONS

The CEIFB has entered into multi-year agreements for the delivery of services and a lease for office premises. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contract. Total contractual obligations as at March 31, 2012 are \$3,086,206.

2012/13	2013/14	2014/15	2015/16	2016/17	Total
\$1,036,318	\$665,412	\$485,448	\$485,448	\$413,580	\$3,086,206

### 11. TAXES RECOVERABLE

Prior to the 2012 financial year, the Canada Revenue Agency (CRA) had previously ruled that the CEIFB was not entitled to input tax credits on its expenditures. During the year, CRA ruled that the CEIFB is a qualifying not-for-profit organization; as such, the CEIFB is entitled to a rebate of 50% of the GST paid and 82% of the provincial portion of the HST paid; as a result, the CEIFB recorded an amount of \$58,983 as a recovery of prior year recoverable taxes on expenditures in its current year financial statements. An additional amount of \$102,840 represents the taxes recoverable for the year ended March 31, 2012 and expenses shown on the statement of operations are net of the rebate claimed. These two amounts represent total receivables as at March 31, 2012 of \$ 161,823.



## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012 (in Canadian dollars)

### 12. BUDGET FIGURES

The operating budget for the CEIFB for the year ended March 31, 2012 is \$2,643,000 as reflected in the *CEIFB Corporate Plan for the 2011/12 to 2015/16 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

	2011/12 Budget		
	Corporate Plan	Change	Adjusted Budget
EXPENSES	\$ 2,643,000	\$ –	\$ 2,643,000
Acquisition of tangible capital assets	–	(64,029)	(64,029)
Amortization of tangible capital assets	–	9,464	9,464
Total Expenses	\$ 2,643,000	\$ (54,565)	\$ 2,588,435
FUNDING			
Funding from Employment Insurance Operating Account	(2,643,000)	64,029	(2,578,971)
Recognition of deferred capital funding	–	(7,876)	(7,876)
Capital asset purchases	–	(64,029)	(64,029)
Total Funding	\$ (2,643,000)	\$ (7,876)	\$ (2,650,876)

#### STATEMENT OF CHANGE IN NET DEBT

	2011/12 Budget		
	Corporate Plan	Change	Adjusted Budget
CHANGE IN NET DEBT			
Acquisition of tangible capital assets	\$ –	\$ (64,029)	\$ (64,029)
Amortization of tangible capital assets	–	9,464	9,464
Accumulated surplus	–	62,441	62,441
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 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 *Canada Employment Insurance Financing Board Act* and the Treasury Board's guidance for Crown corporations.

The CEIFB principal guideline is the *Canada Employment Insurance Financing Board 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 Board also ensures that the CEIFB fulfills its legislated mandate.

The CEIFB's Board of Directors has 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 Human Resources and Skills Development (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 includes the Commissioner for Employers and Commissioner for Employees, and establishes and maintains a list of potential candidates for future appointments.

The Board establishes the CEIFB's strategic direction, safeguards its resources and monitors the corporation's performance.

Legislation governing the CEIFB requires its Board of Directors to:

- Annually establish Employment Insurance premium rate
- Approve the CEIFB's Statement of 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

The Board is required to act honestly and in good faith in the best interests of the CEIFB. 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 the CEIFB Statement of Investment Policies, Standards and Procedures; appoint the Executive Director and annually review that individual's 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 communication strategy, including material disclosure such as quarterly and annual financial statements, the Annual Report, and the Premium Rate Report.

#### **COMPOSITION, MANDATE AND ACTIVITIES OF BOARD COMMITTEES**

The Board has established three committees: Investment and Actuarial Services, Audit, and Human Resources and 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 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 Audit 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 as well as principles and procedures for avoiding conflicts of interest. The Human Resources and Governance Committee 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 matters related to the organization's strategic direction and for the annual Corporate Plan and budget.

#### **PROCEDURES FOR ASSESSMENT OF BOARD PERFORMANCE**

The Board has established a process for assessment of Board performance and that of its committees. Assessments are conducted through a confidential questionnaire submitted to and summarized by the Chair.

#### **BOARD EXPECTATIONS OF MANAGEMENT**

Management is expected to comply with the *Canada Employment Insurance Financing Board Act* as well as policies approved by the Board, including the Code of Conduct and the Conflict of Interest Policy. With involvement from the Board, management develops the strategic direction of the organization.

Management is also 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.