

Background Paper C

The Structure of the Canada Pension Plan Investment Board

The Canada Pension Plan Investment Board (the “Board”) was established by *An Act to Establish the Canada Plan Investment Board and to Amend the Canada Pension Plan and Old Age Security Act and to make Consequential Amendments to other Acts* (the “CPPIB Act”). The Board is a corporation, all the shares of which were issued to the Minister of Finance (the “Minister”) to be held on behalf of Her Majesty in Right of Canada.

The Board, as a corporation, is managed by a board of directors of 12 directors, including the chairperson. The board of directors is to manage or supervise the management of the business and affairs of the Board.

Each of the 12 directors is appointed by the Governor in Council on the recommendation of the Minister for a term not to exceed three years. The CPPIB Act provides that the Minister may establish a committee to advise the Minister on the appointment of directors. The committee “shall consist of a representative designated by the Minister and a representative of each participating province designated by the appropriate provincial Minister for that province”. Regardless of whether the Minister establishes that committee, subsection 10(3) of the CPPIB Act provides that the Minister “shall consult with the appropriate provincial Ministers of the participating provinces before making any recommendation to the Governor in Council with respect to the appointment of directors and before making an appointment under subsection 8 [appointment in the event of a vacancy]”.

In considering eligible candidates to be appointed to the board of directors, the Minister is directed to “have regard to the desirability of having directors who are representative of the various regions of Canada and having on the board of directors a sufficient number of directors with proven financial ability or relevant work experience such that the Board will be able to effectively achieve its objects.”

The chairperson is selected by the Governor in Council on the recommendation of the Minister after the Minister has consulted with the board of directors and the appropriate provincial Ministers of the participating provinces. The board of directors, beyond its authority to manage or to supervise the management of the Board, can appoint officers and make by-laws. In addition, it has been mandated to establish an audit committee and an investment committee and may establish other committees as it deems necessary.

The CPPIB Act contains a requirement that every six years an examiner is appointed by the Minister, after consulting with the appropriate provincial Ministers of the participating provinces, to conduct a special examination of the Board to determine if the Board’s financial and management

control and information systems and management practices were, in the period under examination, maintained in a manner that provided reasonable assurances that they met the requirements of the CPPIB Act. The examiner is to submit the report to the Minister and the appropriate provincial ministers.

Quarterly and annual financial statements of the Board are to be sent to the Minister and the appropriate provincial Ministers. The annual report of the Board is to be tabled in Parliament.

The Governor in Council may make regulations specifying, among other things, which provisions of the *Pension Benefits Standards Act*, 1985 apply to the Board, respecting the investments of the Board, and prescribing anything that the CPPIB Act provides is to be prescribed or determined by regulation. These regulations have no force or effect until “the appropriate provincial Ministers of at least of two-thirds of the participating provinces having in total not less than two-thirds of the population of all the participating provinces has approved the regulation”. Ontario in practice has a veto since it represents more than one-third of the population of the participating provinces.

Finally, upon giving the Board 30 days’ notice in writing, the Minister may require a transfer of an amount from the Board to the Canada Pension Plan account if the Minister considers the transfer as necessary to make any payment required under subsection 108(3) of the *Canada Pension Plan Act*. This authorization does not require prior consultation with, or the approval of, the relevant provincial Ministers as the obligation to fund the Canada Pension Plan is exclusively a federal obligation.