

Business • PARADISE PAPERS

## Millions of Canadians have pension money offshore — without knowing it

Country's biggest pension funds route investments through Cayman Islands, Bermuda, Jersey and more

[Zach Dubinsky](#), [Valérie Ouellet](#) • CBC News •

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At one point, the **Ontario** Teachers Pension Plan and OMERS owned the rail line from the Channel Tunnel to London, using a holding company incorporated in the tax haven of Jersey. (Ben Stansall/AFP/Getty)

Palm-fringed islands, balmy weather, luxury yachts moored in azure waters — offshore tax havens conjure up a wonderland for the well-heeled and their wealth.

But a CBC investigation based on the Paradise Papers leak has found that millions of ordinary Canadians also have an interest in money parked in tax havens — almost certainly without knowing it.

Seven of the country's so-called Big 8 pension funds, representing more than 25 million workers, have used tax havens as they invest Canadians' retirement savings, according to records in the huge leak of offshore financial documents [made public last month](#).

“30 years ago... they didn't need to structure things through the Bahamas. We can go back to that, and the pensioners will get half their pension”

- Jim Leech, ex-CEO of *Ontario Teachers Pension Plan*

This revelation underscores a delicate quandary. On the one hand, pension funds need to make enough money to ensure they can pay benefits to an aging population, and using tax havens for investments abroad can help the bottom line. But it raises questions about whether Canadians' retirement money is underwriting an offshore industry that undermines tax fairness and transparency.

The pensions' high-profile offshore dealings include the 407 Highway north of Toronto, which the Canada Pension Plan Investment Board bought a 40 per cent stake in — partly through an entity in Bermuda. Or the high-speed rail line from London, England, to the Channel Tunnel, which a pair of Canadian pension funds owned until earlier this year via a shell company in Jersey, a tax haven in the Channel Islands.





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None of the pension plans would say exactly how much of their revenue is generated by investments through tax havens. In response to questions from CBC, almost all of them pointed out that Canada doesn't tax pension plans on their investment income, so their use of tax havens makes no difference to federal or provincial government coffers.

But other countries have different tax rules, and some Canadian pension funds acknowledged that offshore investment structures help them legally minimize their tax burdens abroad. Some even said it's their duty to do so in order to maximize savings available for retirees.

- **EXCLUSIVE** [Federal pension board used offshore 'scheme' to skirt foreign taxes](#)

"We structure our foreign investments to maximize the after-tax investment returns available to CPP contributors and beneficiaries," the Canada Pension Plan Investment Board (CPPIB) said in a statement, noting that 85 per cent of its assets are abroad.

"CPPIB has a responsibility to over 20 million contributors and beneficiaries to seek a maximum rate of return to help sustain the CPP fund for multiple generations."

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## Major Canadian pension fund management bodies mentioned in the Paradise Papers:

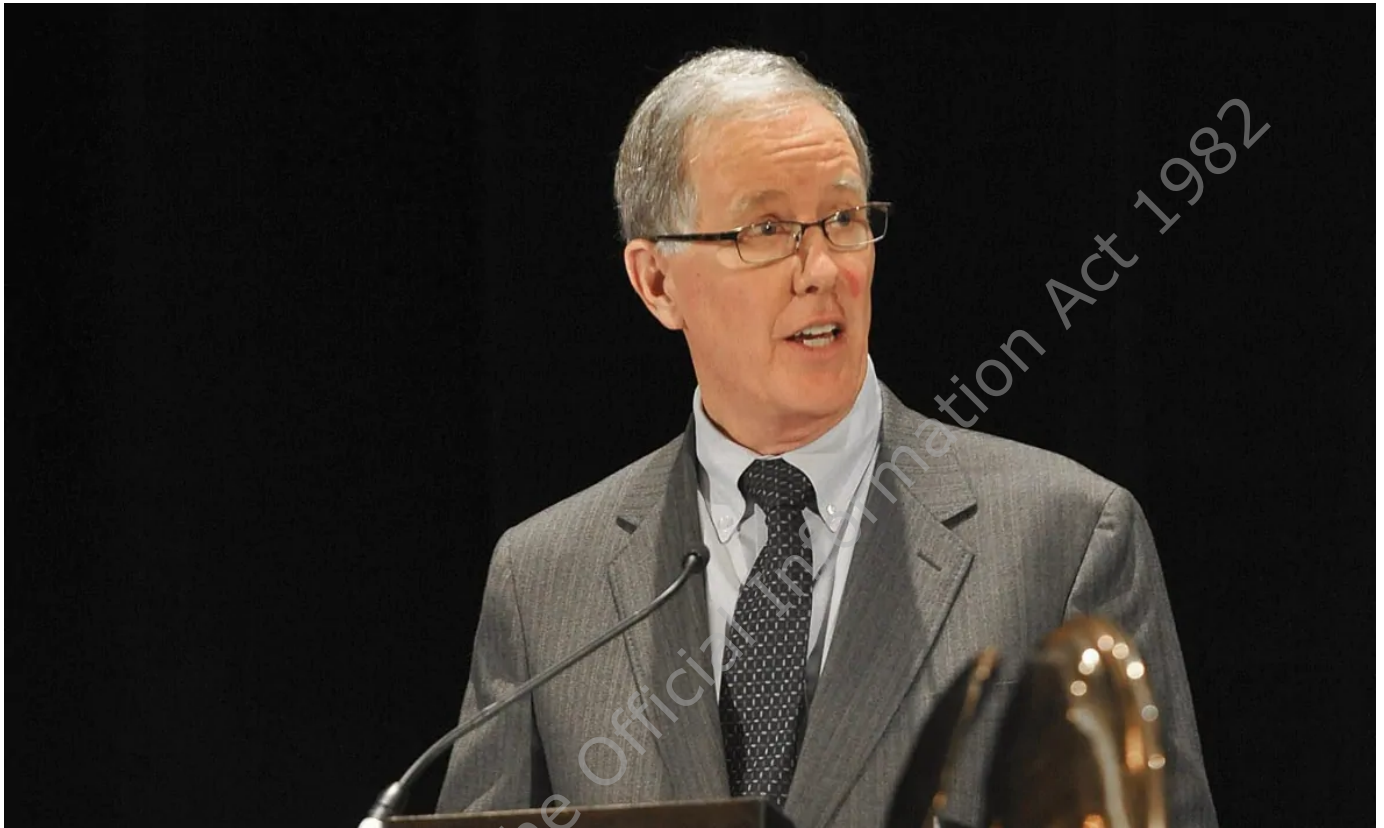
- Canada Pension Plan Investment Board
  - Caisse de dépôt et placement du Québec
  - Ontario Teachers Pension Plan
  - Ontario Municipal Employees Retirement System (OMERS)
  - Public Sector Pension Investment Board (PSP Investments)
  - British Columbia Investment Management Corporation
  - Alberta Investment Management Corporation
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A former top pension executive said that while Canada's major retirement funds used to invest nearly all of their assets domestically, it would be impossible to do so today and still



generate the profits needed to pay decent benefits.

"Thirty years ago, when all investments were in Canada by those pension plans, they didn't need to structure things through the Bahamas," said Jim Leech, CEO of the **Ontario** Teachers Pension Plan from 2007 to 2013. "We can go back to that, and the pensioners will get half their pension."



Jim Leech, ex-CEO of the **Ontario** Teachers' Pension Plan, says Canada's big pension funds need to invest abroad to make the money needed to pay retirees. (The Canadian Press Images)

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## **'Absolutely unacceptable'**

That doesn't resonate with Hassan Yussuff, the president of the Canadian Labour Congress and one of Canada's most prominent voices for workers. Yussuff said Canadians' pensions simply shouldn't be invested in tax havens because of their notoriety as epicentres for tax dodging.

"We want the tax system here to have credibility," he said. "It's absolutely unacceptable in terms of what we expect of pension funds, in terms of their ethical investment."

The federal government has repeatedly declared that it wants to make the tax system more fair — in part, the Finance Department says on its website, by efforts "to stop the use of tax

havens."

Tax havens and offshore accounts and trusts are used by the world's wealthiest to legally avoid paying taxes. Here's how they work and why they are a problem 2:59

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Yussuff said it's contradictory to keep pledging tax fairness and transparency while, simultaneously, the CPP — the federal pension plan — is enmeshed in some of the very tax havens that are the targets of tax fairness and transparency campaigns.

CBC's investigation found numerous examples of major Canadian pension funds using or investing in tax havens. Here's a sample:

- If you contribute to CPP, or work for the federal government or the provincial public service in B.C., then you have a stake in Chile's largest electricity company. That's thanks to a \$1.55-billion US joint takeover by the CPP Investment Board, the federal Public Sector Pension Investment Board, the B.C. Investment Management Corp. and a private sector company back in 2006. The transaction was routed through a corporation set up in zero-tax Bermuda, because the island territory was "tax neutral" for all the investors.
- The **Ontario** Teachers Pension Plan and OMERS, the pension fund for hundreds of thousands of **Ontario** municipal workers, owned the High Speed 1 rail line in Britain until September, via a holding company also incorporated in Jersey. Neither pension fund would say why they did it that way.
- The Caisse de dépôt et placement du Québec, which invests the Quebec provincial pension plan as well as the pensions of many provincial and municipal employees, put money into a number of Cayman Islands companies in order to invest in North American financial markets and in an Israeli-managed venture capital fund. The Caisse said in a detailed statement that it obtained "no tax benefit" from the North American investments. The Israeli fund, it said, is one of many "regularly constituted" in certain tax-haven jurisdictions because of their efficient corporate laws, dependable legal systems and "a neutral taxation policy."





Hassan Yussuff, president of the Canadian Labour Congress, says it's contradictory for the federal government to pledge to fight the abuse of tax havens while, at the same time, Canada Pension Plan money is invested in them. (Sean Kilpatrick/Canadian Press)

## \$1 trillion in assets

Canada's biggest pension funds have grown significantly in recent years in order to pay benefits to an increasing proportion of retirees. The Big 8 plans alone are now worth more than \$1 trillion, and agencies like the CPP Investment Board, **Ontario** Teachers and Quebec's Caisse are among the biggest institutional investors in the world.

Couple that demographic trend with historically low interest rates on government and corporate bonds in Canada since the 2008 financial crisis, and pension fund managers have had to look outside the country to find investment returns to sustain retirees' benefits, analysts say.

And that has often meant using tax havens.

Fund managers "must fund these pensions in a very difficult economic context," said Chris Roberts, director of economic policy at the Canadian Labour Congress.

He said that as a result, a lot of CLC's members have "conflicted feelings about what their pension funds are doing, on the one hand, but also feeling like, 'Is my pension going to be there for me as well?'"

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