



DC Pensions

What To Do With The CAP Guidelines

The CAP Guidelines Are Here, Now What?

By: Gord Lewis

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There has been an incredible amount of press and awareness surrounding the final release of the Joint Forum of Financial Market Regulators' *Guidelines for Capital Accumulation Plans* (the guidelines). The vast majority of this coverage has focused on describing the purpose of the guidelines and what they consist of.

There has even been significant discussion on whether the guidelines are just that – guidelines, or whether they will morph into something closer to the legislation that no one seems to want.

While someone once said that all information is good (and from that vantage point, being aware of this significant development in retirement plan governance is important for plan sponsors), there is a difference between having the information and doing something about it.

So now what?

Implementing The Guidelines

As a plan sponsor you are aware of what's expected so how do you go about implementing the guidelines? If your plan is large enough, you probably have a full-time director of pensions and then the answer is pretty simple. Drop the report on his or her desk and tell them to get it done before the end of next year, since plans are to be compliant by December 31, 2005. However, if you are part of one of the thousands of small- to mid-sized organizations (remember the guidelines apply regardless of size of the plan's assets) where the responsibility for the retirement program falls under the chief financial officer or the vice-president of human resources, then

you have a whole different set of challenges – not least of which is finding the resources to actually do all this wonderful stuff.

The good news is that there is no shortage of people willing to help plan sponsors understand what's expected and, in some cases, help with the ongoing implementa-

Consultants may then step up on an 'as requested' basis to help evaluate investment management. Part of the challenge in using consultants is the ability of the small- to mid-size plan to afford spending vast amounts on advice and input only to be left with the job of implementation. One survey of plan sponsors suggests that 53 per cent spent more than \$100,000 on pension consultants in 2003. If you do choose to go down that route, even after spending all the money, as with all third-party services you receive, you will still be responsible to make sure that your service providers have, in fact, provided the right services.

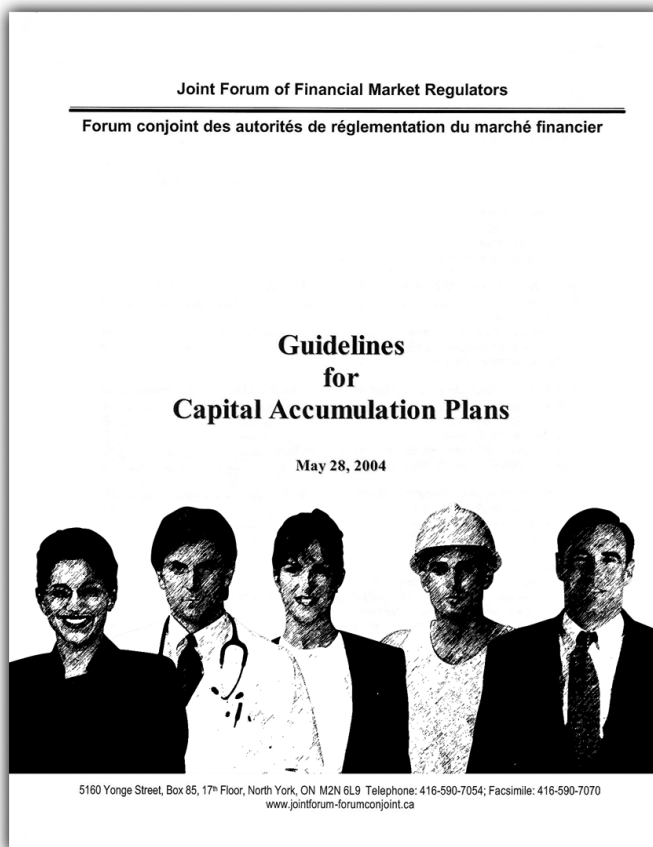
Sustainable Process

For the elements of the guidelines that are not routinely covered by either the administration providers or investment consultants, you will have to either make time within your organization, or utilize specific services through a handful of third-party providers that will take the initiative and ownership, to make sure there is a complete and (importantly) sustainable process in place for both your organization and its plan members.

With regard to the plan members, it should be reinforced that the guidelines are not only for plan sponsors, but apply to plan members as well. While plan members are now expected to kick in with their fair share of responsibility, there has been very little, if any, communication targeted towards how companies will be informing the plan members of their new-found obligations.

In fact, it would be interesting to see how many plan members have even heard of the Joint Forum.

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tion of some or all of the elements. It is quite likely that your third-party administrator will have spent significant time looking at how they can help you satisfy part of the guidelines. This usually encompasses reporting, investment decision tools, and, in some cases, communications.

A copy of the Joint Forum of Financial Market Regulators' *Guidelines for Capital Accumulation Plans* is available online at www.proteusperformance.com/articles.shtml.