

# PENSION UPDATE

April 2014

## Defined Contribution Guideline No. 8 — Update from CAPSA

**B**efore we discuss the content of Guideline No. 8, it is helpful to revisit just what is “CAPSA” and how do these guidelines impact Companies that sponsor a defined contribution pension plan.

CAPSA is a national inter-jurisdictional association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada. It develops practical solutions to further the coordination and harmonization of pension regulation across Canada (*CAPSA Mission Statement 2012*).

Over the past 15 years CAPSA has released communications and guidelines to help plan sponsors understand and structure the governance of defined benefit and capital accumulation plans. In May 2004, Guideline No. 3 was released which adopted recommendations from the Joint Forum of Financial Market Regulators which were specific to capital accumulation plan governance (generally referred to as the CAP Guidelines). While the most recent Guideline No. 8 is addressed specifically at defined contribution pension plans, it would be advisable to take its content as being logically applicable to other CAP plans.

The fundamental objective of CAPSA is to help implement sound governance practices which meet plan sponsor oversight activities and processes with the expectations of regulators. Regulator expectations go beyond the statutory requirements of plan support and include oversight and communication support to meet fiduciary requirements for plan members and other stakeholders. When reviewing the most recent Guideline, one must remember that prior guideline

releases are still applicable and should continue to be part of the overall governance structure for the organization.

Guideline No. 8 provides further clarification as to the roles and responsibilities of the plan sponsor / employer. It also outlines some of the responsibilities of third party suppliers which of course are to be monitored by those charged with plan oversight. This helps complement several principles of responsibility outlined in the CAPSA Pension Plan Governance model as detailed in Guideline No 4. In our view, the 10 Principles of Guideline No 4 are some of the most fundamental plan governance elements released by CAPSA to date.

Guideline No. 8 also covers the responsibility of plan members. Clearly, member communication must address information regarding investment options, post retirement income options, support tools, funding and detail member responsibilities for both investment allocation and understanding of benefit adequacy. The common worry of plan sponsors will continue to be concern about information overload for plan members. There is an ever increasing need for tailored communications for specific groups and availability of information “on demand” as it is unrealistic to assume that members will assimilate volumes of pension related information.

Guideline No. 8 has contributed to plan administrators’ objective to providing a valuable benefit with appropriate governance support and to help plan members meet their dreams for retirement in an ever decreasingly defined benefit world.



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