

## COMMUNIQUÉ

SPRING 2004

This newsletter is published by the Canadian Association of Pension Supervisory Authorities (CAPSA) to inform interested stakeholders about cross-jurisdictional developments, initiatives and ongoing policy work in the pension sector in Canada.

Formally established in 1974, CAPSA became an incorporated body in 1999. Members of CAPSA are responsible for the administration of pension regulatory legislation in jurisdictions across Canada. Associate members include senior staff from Statistics Canada, Finance Canada and Canada Revenue Agency. Nancy MacNeill Smith, Superintendent of Pensions, Nova Scotia, is the Chair of CAPSA.

CAPSA's mandate is to:

- promote the development of pension policy across Canada;
- promote the simplification and harmonization of pension plan regulation across Canada;
- enhance the security of the pension plan promise; and
- improve communications between pension regulators and the pension community.

This edition of the CAPSA Communiqué provides an update on:

- CAPSA's adoption of the Joint Forum of Financial Market Regulators' (Joint Forum) *Guidelines for Capital Accumulation Plans*;
- the "road-testing" of the draft *CAPSA Pension Plan Governance Guidelines and Self-Assessment Questionnaire*; and
- the consultations on the *Proposed Regulatory Principles for a Model Pension Law*.

### **Guidelines for Capital Accumulation Plans Adopted by CAPSA**

On May 28, 2004, the Joint Forum of Financial Market Regulators released a final version of the *Guidelines for Capital Accumulation Plans* (CAP Guidelines), which have been approved for publication by CAPSA, the Canadian Council of Insurance Regulators and the Canadian Securities Administrators. Concurrently, CAPSA adopted the CAP Guidelines as CAPSA *Guideline No. 3, Guidelines for Capital Accumulation Plans*. Guideline No. 3 is applicable to defined contribution components of registered pension plans where members are permitted to make investment decisions among two or more options.

While the CAP Guidelines are voluntary in nature, it is the expectation of CAPSA that registered pension plans that have CAP components will operate in accordance with the CAP Guidelines by December 31, 2005.

The CAP Guidelines represent the culmination of four years of work by the Joint Forum Working Committee on Capital Accumulation Plans and is a landmark achievement in the development of common standards for Capital Accumulation Plans (CAPs) in Canada.

A Capital Accumulation Plan is defined in the CAP Guidelines as “a tax assisted investment or savings plan that permits the members of the CAP to make investment decisions among two or more investment options offered within the plan...established by an employer, trade union, association or any combination of these entities for the benefit of its employees or members.”

The objectives behind the development of the CAP Guidelines were threefold:

- to outline and clarify the rights and responsibilities of CAP sponsors, services providers and CAP members;
- to ensure that CAP members have the information and assistance that they need to make informed investment decisions; and
- to ensure that there is a similar regulatory result for all CAP products and services regardless of the regulatory regime that applies to them.

The CAP Guidelines were developed with the assistance of an Industry Task Force based on an interim document entitled: *Revised Principles for Investment Disclosure in Capital Accumulation Plans* which was finalized by the Joint Forum in 2002 following an extensive consultation on proposed principles in the Spring and Summer of 2001. An initial draft of the CAP Guidelines was released for comment in April 2003, and was the subject of a four and a half month consultation, which included focus groups and consultation sessions across Canada.

CAPSA *Guideline No. 3, Guidelines for Capital Accumulation Plans* is available on the CAPSA website and by request from the CAPSA Secretariat.

### **“Road-Testing” of the Draft CAPSA Pension Plan Governance Guidelines and Self-Assessment Questionnaire**

In November 2003, CAPSA requested feedback from pension plan administrators across Canada on whether its draft *Pension Plan Governance Guidelines and Self-Assessment Questionnaire* (released July 19, 2003) are clear, understandable and usable for pension plans of all types and sizes.

Through an online “road-testing” survey, available on the CAPSA website between November 2003 and February 2004, CAPSA received 48 anonymous responses from administrators of registered pension plans.

Based on the feedback received through the survey, the CAPSA Pension Plan Governance Committee will be revising the *Pension Plan Guidelines and Self-Assessment Questionnaire* as follows:

- additional guidance relating to Principle #2 (Governance Objectives) and Principle #4 (Performance Objectives) will be developed;
- the guidance provided for combination defined benefit/defined contribution plans will be assessed and updated;
- the glossary of terms will be expanded to include additional definitions for terms identified by survey participants;
- commentary and examples will be provided to clarify several principles; and
- additional instructions will be developed to assist administrators in determining actions which could be taken when the self-assessment process indicates that current governance practices need improvement.

Once the Committee has revised the *Pension Plan Governance Guidelines and Self-Assessment Questionnaire*, the changes will be presented to CAPSA for approval. A final version of the *Pension Plan Governance Guidelines and Self-Assessment Questionnaire* is targeted for release in Fall 2004.

The CAPSA Pension Plan Governance Committee would like to thank all of the pension plan administrators who participated in the "road-testing" initiative for their constructive responses and suggestions.

The draft *CAPSA Pension Plan Governance Guidelines and Self-Assessment Questionnaire* is available on the CAPSA website and by request from the CAPSA Secretariat.

### **Consultations on the Proposed Regulatory Principles for a Model Pension Law**

On January 19, 2004, CAPSA released a consultation document entitled *Proposed Regulatory Principles for a Model Pension Law* for a five and a half month consultation period. A separate but parallel consultation is being conducted in Quebec by the Régie des rentes du Québec.

The proposed principles that have been identified by CAPSA are intended to form the basis of a harmonized and simplified model pension statute that can serve as a model for federal and provincial governments to consider when they are making amendments to their pension legislation. The proposed principles should not be construed as the official position of any provincial or federal government or agency.

Following the release of the *Proposed Regulatory Principles for a Model Pension Law*, representatives of the CAPSA Model Law Committee met with key national stakeholder groups in Toronto on February 16, 2004. These meetings provided the Model Law Committee with an opportunity to explain the rationale behind the Model Law initiative, to outline the key principles, and to receive feedback on significant concerns and issues.

Similar meetings were then held across Canada during April and May so that stakeholders throughout the country could participate in the consultation process and provide direct feedback to the Model Law Committee. Consultation sessions were held in Saskatoon, Halifax, Fredericton, St. John's, Regina, Edmonton, Vancouver, Winnipeg and Toronto. The Model Law Committee greatly appreciates the participation of pension stakeholders at these sessions and will carefully consider the feedback received in its review of the proposed principles.

The consultation on the *Proposed Regulatory Principles for a Model Pension Law* will conclude on June 30, 2004. CAPSA encourages all interested pension stakeholders to make written submissions on the proposed principles by that date.

Submissions should be forwarded by e-mail to Davin Hall, Policy Manager, CAPSA Secretariat at [capsa-acor@fscs.gov.on.ca](mailto:capsa-acor@fscs.gov.on.ca).

*Proposed Regulatory Principles for a Model Pension Law* is available on CAPSA's website and by request from the CAPSA Secretariat.

## Contact Us

Questions regarding this Communiqué or general inquiries regarding the Canadian Association of Pension Supervisory Authorities should be referred to the CAPSA Secretariat.

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