



Plan Governance and Administration

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Outline



-
- ❖ Regulatory Environment/Governance
 - ❖ Pension Plan Management
 - ❖ CAP/CAPSA Guidelines
 - ❖ Plan Administration



Regulatory Environment

Canada Revenue Agency (CRA)



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- ❖ Defines maximum contributions to registered plans (DC RPP, RRSP, DPSP)
 - ❖ Defines maximum benefits payable from a DB RPP
 - ❖ Establishes rules regarding:
 - Retirement income amounts
 - Employment conditions
 - Maximum age
 - Eligible contributions

Pension Regulators



- ❖ Oversee Registered Pension Plans – DB and DC
- ❖ Objective – Protect plan members and their spouses, beneficiaries
- ❖ Each province has its own pension regulator
 - Financial Services Commission of Ontario (FSCO)
- ❖ Federally, OSFI oversees plans for federally regulated employers, such as banks and transportation companies

Pension Regulators



- ❖ Set minimum plan provision standards
 - Eligibility
 - Vesting – Employee’s right to employer contributions
 - Locking-in – Funds must be used for retirement income
 - Retirement options

Pension Regulators



❖ Dictate funding requirements

DB plans

- ❖ Ensure there are enough assets if DB plans wind-up, or a going-concern

DC plans

- ❖ Ensure that contributions enter plan appropriately; payroll, timing, disabled members, members on maternity, etc.

❖ Set investment restrictions

❖ Policies

Other Legislation



❖ *Ontario Labour Relations Act*

- Section 93(1) of the Act applies to pension plan participants who are members of a trade union

❖ *Family Law Act*

- Defines rules for marriage breakdown

❖ *Employment Standards*

- Contributions while on leave



Pension Plan Governance

Governing Plan Documents



Plan Text or Master Document

- defines the plan rules / provisions
- registered with the authorities (pension)



Funding Agreement / Policy

- most often with Insurance Company/Carrier or Trust Agreement
- primarily deals with investments, contributions & withdrawals, fees, how assets are valued (book vs market)



SIP&P - Statement of Investment Policies/Procedures

- outlines purpose / nature of the plan and its investments
- defines responsible parties (Pension Committee, Sponsor, Members, etc.)
- outlines qualitative investment objectives and list classes permitted

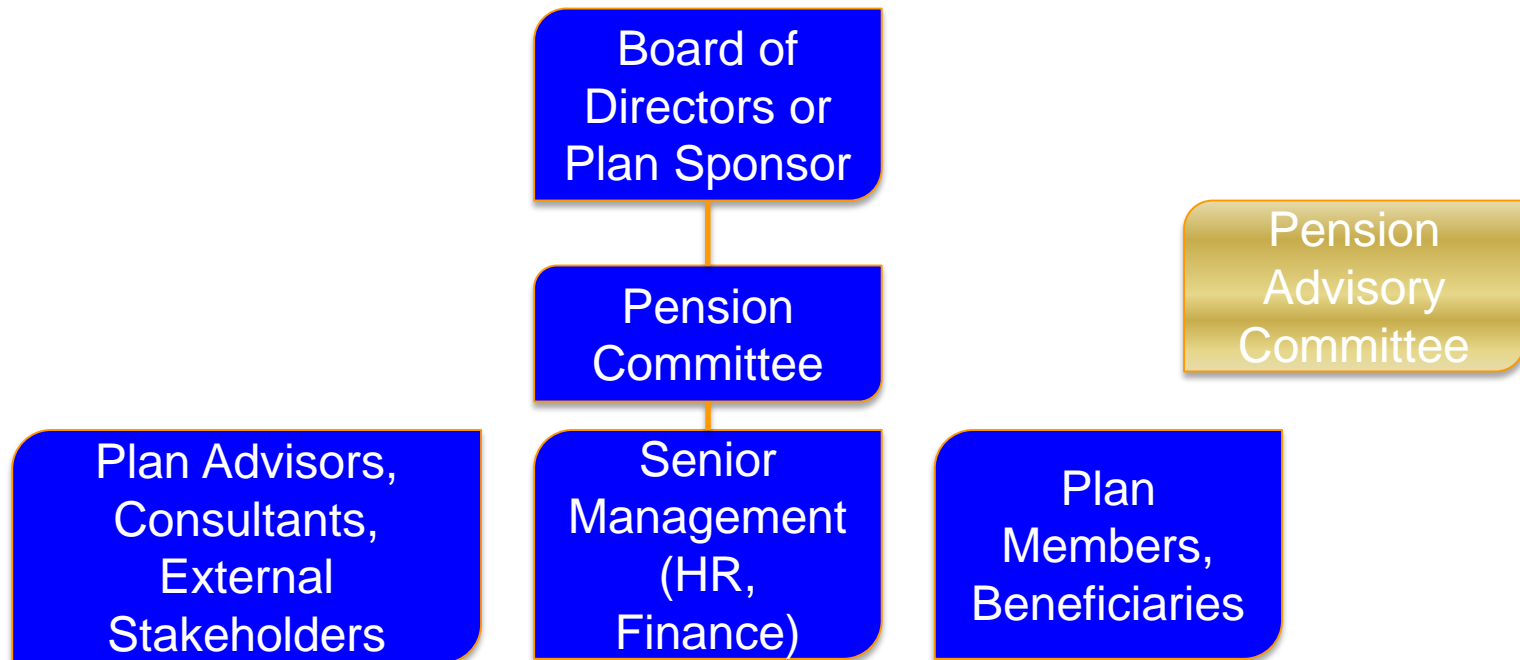
Required for
RPPs

Governance Structure and Processes



Structure:

a delegation of tasks and authority to people or committees = defining of responsibilities



Governance - Corporate



Governance Structure Basics

- ❖ Specify the distribution of rights and responsibilities of the Board of Directors, Company Directors Committees, shareholders and other stakeholders
- ❖ Spell out the rules and procedures for making decisions on corporate affairs
- ❖ Incorporate the organization's strategic response to risk
- ❖ Fairness! Transparency! Accountability!

Fiduciary Duty



Fiduciary:

Someone who has undertaken to act for and on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence

Fiduciary duty:

The highest standard of care at either equity or law.

Plan Governance



Components:

- ❖ Governance objectives
- ❖ Roles & responsibilities
- ❖ Performance measures and risk control
- ❖ Required knowledge & skills
- ❖ Access to information
- ❖ Transparency and accountability
- ❖ Code of conduct; conflicts of interest

Plan Governance – Oversight



Pension Committee Charter or Bylaws?

- ❖ Overview of Responsibilities
- ❖ Number of Members; representation?
- ❖ Representation – chair, secretary, etc.
- ❖ Quorum, Member removal or vacancies
- ❖ Duties; include delegation elements
- ❖ Member training/expertise
- ❖ Conflicts, etc.

Plan Governance – Oversight



Oversight Duties!

- ❖ Plan design
- ❖ Compliance
- ❖ Funding
- ❖ Record keeping, administration, reporting
- ❖ Investments
- ❖ Member education, engagement and support
- ❖ Service provider management
- ❖ Operating policies and procedures

Plan Design



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- ❖ DB - Benefit at Retirement to replace pre-retirement income
 - ❖ DC - Contribution structure with returns
 - To reach future value target
 - To replace pre-retirement income
 - Appropriate investment fund offerings
 - ❖ Vesting, locking-in, portability, early or late retirement, death, disability
 - ❖ Comparative value to compensation and life-health benefits

Compliance - Guidelines



- ❖ CAPSA
 - **Canadian Association of Pension Supervisory Authorities;** www.capsa-acor.org
- ❖ Governance Guidelines; 2004
 - ❖ Top down process
 - ❖ Best practices for governing pension plans
 - ❖ DB focus but apply to DC pension plans
 - ❖ However, companies can apply these to Group RRSPs too

Compliance - Guidelines



Joint Forum of Market Regulators **CAP** Guidelines - 2004

- ❖ DC plans – **C**apital **A**ccumulation **P**lans
- ❖ Employees make investing decisions
- ❖ Widely accepted best practices
- ❖ RPPs, GRRSPs, stock purchase, non-registered savings, group TFSAs, etc.

❖ **Investment Guidelines – November 2011**

- No. 6 - Pension Plan Prudent Investment Practices Guideline
- No. 7 - Pension Plan Funding Policy Guideline – DB plans

❖ **New! DC Pension Plan Guidelines**

CAP Guidelines



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- ❖ Establishing a CAP
 - Plan features; set up investment fund choices, service providers, etc.
 - ❖ Documenting the Plan
 - ❖ Communicating the Plan
 - ❖ Complying with government rules, beyond the Guidelines
 - ❖ Monitoring the Plan
 - ❖ Educating the Plan Members

CAPSA - DC Pension Plan Guidelines No. 8



- ❖ Released July 13, 2012
- ❖ Released March 2014
- ❖ CAPSA's intent to supplement past DC-related Guidelines by clarifying rights and responsibilities of:
 - Plan Administrator
 - Employers
 - Plan sponsors
 - Members
 - Service providers
 - Fund holders

www.capsa-acor.org



DC Pension Plan Guidelines



- ❖ Information for Members:
 - During the “Accumulation Phase”
 - Approaching the “Payout Phase”
 - During the Payout Phase
 - ❖ LIRAs
 - ❖ LRIFs
 - ❖ LIFs
 - ❖ Variable benefits
 - ❖ Life annuity contract
- ❖ Clarifying what constitutes an adverse amendment
 - Reduction of ER and/or increase in EE contributions
 - Changes in expense allocations (pays for admin. expenses)
 - Changes to possible member retirement age



Administration



Administration

**Least
Complex**

**Most
Complex**



Group RRSP

- Immediate vesting
- Registered with CRA only

DPSP

- Vesting rules
- Trusteed
- Registered with CRA only

DC RPP

- Regulatory filings apply
- Audit rules
- Registered with CRA & province
- Vesting rules

DB RPP

- Extensive record keeping
- Actuarial calculations
- Detailed communication
- Registered with CRA & province



Responsibility for Administration

- ❖ Plan Sponsor ultimately responsible but can delegate

- ❖ RPP/RRSP/DPSP/Non-Registered:
 - Pension Committee
 - Person/organization empowered by law, i.e. third party administrator



Key Administrative Duties

- ❖ Plan setup and plan changes
- ❖ Member enrolment
- ❖ Contribution remittance
- ❖ Withdrawal requests
- ❖ Fund changes
- ❖ Member termination, death, retirement
- ❖ Legislative and tax filings
- ❖ CAP/CAPSA guidelines
- ❖ Stewardship meetings/fund reviews
- ❖ Member education



Plan Setup/Plan Changes

- ❖ Ensure accuracy of plan documents
 - Contract
 - Booklets
- ❖ Disclosure requirements:
 - Members to be given booklet
 - Member notice of change for adverse amendments (e.g. reduction in contributions)
 - Access to SIPP for ON registered plans
 - Biennial statement for former members in ON
 - Suspension of membership for BC/AB employed members
 - Annual statement
- ❖ Filing of required documentation with provincial/federal bodies
 - Application for amendment
 - Plan amendment



Member Enrolment

- ❖ Timely – when an employee is eligible to join
 - Enrolment kit to member
 - Booklet to member
 - Enrolment sessions or
 - On-line enrolment

Pitfalls:

- ❖ Mandatory plan – application not returned
- ❖ Missing/unclear information
 - Signature
 - Beneficiary information
 - Trustee for minor beneficiary
 - Valid SIN/Member Id, DOB, Address
 - Fund selection



Contribution Remittance

- ❖ Timely:
 - Deduct contributions from members' pay
 - Remit member and employer contributions to carrier
 - ❖ Electronic, mail, fax
 - ❖ Cheque, wire or debit
 - Dec 31, March 1 deadlines for RRSP
 - Pension plan - must remit monthly
- ❖ Lump sum contributions if plan allows
- ❖ Formula may vary by class – may be based on salary or flat dollar amount
- ❖ Handle contributions for disabled members and members on leave of absence



Withdrawal Requests

❖ Pension:

- Voluntary Contributions only

❖ RRSP:

- Can be Client Restricted (depends on contract)
- Home Buyers
- Lifelong learning
- Process to withdraw funds – call centre/form

❖ DPSP:

- Usually restrictions - no withdrawals until leave the plan
- Usually vesting per Plan Sponsor

❖ Withholding Tax:

- Determined by amount of withdrawal
- Can ask for additional tax withholding

❖ Possible Consequences:

- Withdrawal restrictions, investment growth loss, added to income



Fund Changes – Plan Level

Reasons:

- ❖ Fund underperforming/fund manager concerns
- ❖ Under utilization
- ❖ Too many funds on plan (CAP 20 to 25 funds max)
- ❖ Fund manager or carrier discontinues fund
- ❖ New funds added (e.g. Target Date Funds)



Fund Changes

❖ Sponsor Fund Change:

A. Fund Mapping

- Identify who is in fund
- Notice to all employees (move their funds or mapping)
- Choose mapping fund
- Affects statement – questions after the fact

B. Remove Funds

- Identify who is in the fund
- Notice to employees in fund
- Member moves assets
- \$0 assets – remove and/or replace funds
- Notice to members re replacing funds (education session)

❖ Member Fund Change:

- Member moves funds via phone, call center, online, paper form

Member Termination, Death or Retirement



- ❖ **Notify Carrier ASAP** – email/form - date of termination/name/cert, if all contributions remitted
 - Not notified - end of year, may incur higher active fees for inactive members on AIR (\$6.15 vs. \$4.25) and/or billing

- ❖ **Carrier produces package for member/beneficiary**
 - Pension: must disclose options within 30 days, follow-up by mail in 60 days, reminder in 30 days - nothing – move to terminated sub group if available (can't force out)
 - RRSP: move over to continuing plan after 60 days – fees different (member notified in reminder notice)
 - Options
 - Amount of Cash available/Locked-in funds
 - Process to transfer/withdraw funds (forms)



Legislative and Tax Filings

❖ Pension:

- Annual Information Return (AIR)
- Auditor Report (> \$3M); Financial Statement
- SIP&P – filing not required (FSCO can request)
- Ontario Form 7 – estimate of contributions (Member/Sponsor)
- Pension Adjustment reported on T4 slip
- Pension Adjustment reversal (T10)
- T4A for withdrawals

❖ RRSP:

- T4RSP for withdrawals
 - Contribution receipts
- ❖ Consequences of late/no filing

Annual CAP Review Good Practice!



❖ Why?

- CAP guidelines – responsibilities – avoid law suits

❖ Who?

- Plan Sponsor, Pension Committee, Carrier, Consultant

❖ What?

- Varies by carrier
- Plan profile recap
- Carrier – what's new
- Age banding – determine education required
- Web/Call center utilization statistics
- Investment fund review

Minutes – date/time/attendees/meeting notes/decisions/action items



Member Education & Engagement

❖ Responsible for:

- Delivering investment and retirement education to Plan Members
- Deciding what to offer
- Timing and co-ordination with Carrier/Consultant
- One-on-one sessions appropriate?
- Optimizing carriers tools and technology

❖ Following CAP guidelines

❖ Documentation:

- Communication
- Attendance