



March 1, 2011

Dear Pension Industry Stakeholder:

**Re: CAPSA Consultation on the Draft Guideline on Pension Plan Prudent Investment Practices and Self-Assessment Questionnaire, and the Draft Guideline on Pension Plan Funding Policy**

On behalf of the Canadian Association of Pension Supervisory Authorities (CAPSA), we are pleased to release the enclosed draft *Pension Plan Prudent Investment Practices Guideline* and its companion document the *Self-Assessment Questionnaire on Prudent Investment Practices*, and the draft *Pension Plan Funding Policy Guideline* for your review and comment.

CAPSA believes that good pension plan governance in terms of best practices in pension plan funding and investment is essential if plan members are to receive the benefits they have been promised.

The draft guidelines build on CAPSA *Guideline No. 4: Pension Plan Governance Guidelines and Self-Assessment Questionnaire* and the CAPSA consultation paper on the *Prudence Standard and the Roles of the Plan Sponsor and Plan Administrator in Pension Plan Funding and Investment*. The draft guidelines were developed with the assistance of an industry advisory group, as well as stakeholder consultation on the prudence paper. The draft guidelines were prepared to provide guidance to pension plans of all types and sizes, in all jurisdictions of Canada, in their funding and investment activities.

The draft guideline on Pension Plan Prudent Investment Practices and Self-Assessment Questionnaire is intended to provide guidance to plan administrators on how to demonstrate the application of prudence to the investment of pension plan assets. The draft Pension Plan Funding Policy Guideline is intended to provide guidance on the development and adoption of funding policies.

These draft guidelines are part of CAPSA's strategic initiative to promote consistency in the governance of pension funds and funding. CAPSA has pursued this priority by:

- Examining the issues surrounding the application of the prudent person rule, giving consideration to both the assets and liabilities of pension plans
- Developing a common approach to funding policies, recognizing the link to fund governance.

CAPSA would appreciate your comments on the draft guidelines and the self-assessment questionnaire.

Please forward your written comments on the draft *Pension Plan Prudent Investment Practices Guideline*, the *Self-Assessment Questionnaire on Prudent Investment Practices*, and the draft *Pension Plan Funding Policy Guideline* to:

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Electronic copies of submissions would be preferred. All submissions received will be publicly released on the CAPSA website at the end of the consultation period. We look forward to receiving your comments by June 1, 2011. Questions arising from this consultation may be directed to the CAPSA Secretariat.

Please note that the draft guidelines have been prepared to contribute to the adoption of good pension plan funding and investment practices in all Canadian jurisdictions. They do not reflect the official position of any provincial or federal government or agency.

Yours very truly,

Mario Marchand  
Chair, CAPSA  
Actuaire Principal  
Régie des rentes du Québec

Dave Gordon  
Chair, CAPSA Prudent Funding and  
Investment Committee  
Deputy Superintendent of Pensions  
Financial Services Commission of  
Ontario