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Attached are the comments of the Canadian Federation of Pensioners regarding CAPSA Guideline No. 4.

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Comments of the  
Canadian Federation of Pensioners  
regarding  
CAPSA Consultation on the Revisions to the Pension Plan  
Governance Guideline

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In response to the invitation from the Canadian Association of Pension Supervisory Authorities (CAPSA) dated March 11, 2016 to comment on CAPSA's revised pension plan governance guideline, the Canadian Federation of Pensioners (CFP) is pleased to provide the following comments.

CFP advocates on behalf of pensioners who are members of Defined Benefit Pension Plans (DBPPs), with both Federal and Provincial governments as well as in other pension fora. CFP is recognized as a knowledgeable and thoughtful voice in the Defined Benefit pension plan space in Canada. CFP works on behalf of its member organizations, directly representing the pension security interests of over 250,000 members.

At the outset, CFP commends CAPSA for the content of the revised guideline and the collaborative process adopted to develop it, including this opportunity for public comment. In general, CFP very much supports the revised guideline. We wish to offer the following suggestions aimed at strengthening it further.

The preamble to the guideline makes clear that it constitutes a recommendation that all plan administrators adopt a governance structure and process consistent with the principles in the document. However, the adoption of the principles remains voluntary. In CFP's view, this revised guideline could be of immense benefit to regulators in exercising their regulatory authority and in assessing the performance of plan administrators. In this regard and in order to strengthen the nature of the guideline, CFP recommends that the document also propose that, although adoption of the guideline is not mandatory, each pension regulator should assess a plan administrator's compliance with the guideline and take that assessment into account when considering the plan administrator's performance, what remedial steps, if any, the administrator must take, and what regulatory consequences should follow.

In addition, CFP notes that a theme running through most of the principles set out in the revised guideline is that plan administrators should establish and document various specific governance processes. CFP strongly supports such a requirement, and suggests that the guideline should go a step further and state that such documented processes should be made publicly available to plan members. In this way, members can be more duly informed as to how their pension plan is being managed and have a better understanding as to how the administrator is fulfilling its fiduciary duty to them.

In this regard, Principle 5 should include a requirement that the plan administrator must document the knowledge and skills needed to fulfill the responsibilities of the administrator, and to document the measures it has taken to ensure that that knowledge and skills have been made available.

As the preamble to the document acknowledges, individuals involved in plan administration can often have conflicting duties (e.g., to the sponsor as well as to the members). This, in our view, reinforces the need for transparency in governance processes. Such transparency can be

achieved by ensuring that the various governance processes are not only documented but made available to members. The need for such public disclosure is particularly acute in the case of the Code of Conduct recommended in Principle 10 since this code is intended to include procedures to deal with conflicts of interest, something which goes to the heart of the fiduciary duty owed to plan members. However, there is no reason such disclosure is not appropriate for all the documents encapsulated in the various other principles outlined in the document. As a result, CFP recommends that the principles be amended to state that documented processes and procedures be made available on request to members and other stakeholders and that the questionnaire be augmented to facilitate an assessment as to the extent to which this recommendation is being met.

Another important principle in the revised guideline is the recommended governance review embodied in Principle 11. This principle states that the plan administrator should establish and document a process for the regular review of the plan's governance framework and processes. In this regard, CFP suggests that it would be helpful if a timeline (e.g., 3 years) were recommended for the frequency of such periodic reviews.

The commentary associated with this Principle 11 goes on to state that the review "may" result in the administrator setting goals and objectives to correct any shortfalls in governance and that the administrator "may" modify its practices to improve overall governance. In CFP's view, it is imperative that processes be modified to improve governance and correct any shortfalls identified through the review process. It seems incongruous to have a review process, the purpose of which is to ensure good governance, without also requiring that issues arising from that review be addressed. Consequently, CFP recommends that the word "may" in the above-noted passages be changed to "should".

In a similar vein, the commentary to Principle 11 goes on to state that the administrator "may" wish to communicate the result of the recommended governance review to plan members and other stakeholders. Consistent with the principle of transparency discussed above, it is CFP's view that a cornerstone of any governance review process should be that it will be made available on request to plan members and other stakeholders. As a result, CFP recommends that the word "may" in this commentary be changed to "should".

In closing, CFP wishes to thank CAPSA for this opportunity to comment on the revised guideline and to reiterate its support for the principles embodied in it. The document should prove to be a valuable contribution in guiding regulators, pension administrators and indeed all pension stakeholders.