



**CAPSA Consultation on the Revisions to the Pension Plan Governance Guideline**

**CAPSA Guideline No. 4:  
Pension Plan Governance,  
and the related Self-Assessment Questionnaire  
and FAQ Document**

Submission to the  
Canadian Association of Pension Supervisory Authorities

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By e-mail

## **Introduction**

The Air Canada Pionairs (the “Pionairs”) is a Federally registered not-for-profit organization. It advocates on behalf of 30,000 Air Canada and other Canadian Airlines retirees of whom over half are Pionairs members. Its membership includes a number of professional, knowledgeable individuals associated with pension plan development, investment and management, including some who are dedicated to understanding pension risk management and security. It is also a member of a growing network of pensioner groups – the Canadian Federation of Pensioners – that together represent 250,000 retirees from across Canada, many with similar knowledge and skills.

In our opinion, the prevailing governance structure and procedures contained in current regulation and practice for Canadian single employer defined benefit plans fall short because of:

- The dual role of the employer as both sponsor and administrator; and
- The lack of a specific role for plan members, post-retirement in the ongoing development, management and monitoring of pension plans.

## **General Comments on the Draft Guideline**

Generally, the Pionairs welcome the revisions to Guideline No. 4: Pension Plan Governance (the “Draft Guideline”), and the related Self-Assessment Questionnaire and FAQ Document. However, the Pionairs are concerned that the changes do not go far enough to protect retirees, who depend on their pensions.

The main purpose of a pension plan is to provide for retirees on their retirement; but retirees are often vulnerable and without an adequate voice in critical pension governance. Given Canada’s demographics and growing senior population, it is important both for fairness to those who have helped to build our services and industries, and to the future health of the Canadian economy, that retirees have an appropriate say in the governance of their pension plans.

Below are some specific comments on the revised principles in the Draft Guideline and the related Self-Assessment Questionnaire and FAQ Document.:

### **Principle 1: Fiduciary Responsibility**

Generally, the Pionairs are in agreement with CAPSA's suggested revision related to the fiduciary obligations in Principle 1 of the Draft Guideline. However, the Pionairs suggests that CAPSA revise the text to specifically address retirees. In addition to our concern that retirees be specifically addressed in the Draft Guideline, it would be helpful to specifically address retirees in the FAQ related to Principle 1 and to reference retirees throughout the entire FAQ document.

Regarding the Self-Assessment Questionnaire for Principle 1, the Pionairs suggests that the following questions be included:

- Have you identified your fiduciary responsibilities to the pension plan retirees?
- What distinctions exist between retirees and other stakeholders and how have your addressed your fiduciary responsibilities related to the differences?

### **Principle 2: Governance Framework**

The Pionairs support the inclusion of a governance framework in the Draft Guideline. However, we would prefer that the governance framework specifically address retirees.

In addition, the Pionairs would like to see a balanced representation for pension administration that is professional and independent and reflective of plan membership, beneficiaries and retirees. The Pionairs would support a mechanism for the appointment of independent professionals to the body responsible for governance to promote good governance more effectively.

Moreover, we would support the inclusion of a retiree representative and a member representative as part of the oversight of the pension plan governance and administration.

We believe that, depending on the size and scope of the pension plan, independent oversight and management should be mandatory.

There should be appropriate controls to promote the independence and impartiality of the decisions taken by the plan administrator. The Pionairs would support an expansion of the text related to the governance framework to address such matters as confidentiality of sensitive information, to prevent the improper use of private information, and to provide adequate controls for data retention.

### **Principle 3: Roles and Responsibilities**

Generally, the Pionairs are in agreement with most of the description of the roles and responsibilities in Principle 3 of the Draft Guideline. However, the Pioneers would prefer that there be a specific role and responsibility that addressed retiree matters. There should be a reference to the need for a mechanism to ensure there is appropriate independent oversight of the decisions taken by third parties.

Regarding the Self-Assessment Questionnaire for Principle 3, the Pionairs suggests that the following questions be included:

- Have the responsibilities to retirees been specifically assigned to an individual with authority from the administrator?
- Have you documented the expectations in terms of retirees rights?

### **Principle 4: Performance Monitoring**

The Pionairs agree with the expansion of Principle 4 to include documenting of performance monitoring. A third party, independent of the plan sponsor and administrator, should be appointed to carry out a periodic performance audit.

Regarding the Self-Assessment Questionnaire for Principle 4, the Pionairs suggest that the following questions be included:

- Does performance monitoring take into account the rights of retirees, and specifically identify and segregate performance in relation to retirees from performance in relation to others?
- Is there any segregation of assets to address differences among plan beneficiaries, employees, and retirees?

### **Principles 5: Knowledge and Skills**

While we agree with Principle 5, we would like to see independent objective mechanisms to assess knowledge and skill. Regarding the Self-Assessment Questionnaire for Principle 5, the Pionairs suggest that the following questions be included:

- Does the administrator have knowledge and skills related to retirees and their rights?
- What specific measures and education have been undertaken to understand retirees and their rights?
- Do delegates have specific skill for retirees and their rights?

### **Principle 6: Access to Information**

While agreeing with Principle 6, the Pionairs recommend that, the plan administrator should document the pertinent information to be accessed and the time frame contemplated for access. In the case of delegates, the plan administrator should specifically provide delegates with information about retirees, so they can meet their obligations specific to retirees.

Regarding the Self-Assessment Questionnaire for Principle 6, the Pionairs suggest that the following question be included:

- Are retirees given information that is unique to their situations, compared with other stakeholders?

### **Principle 7: Risk Management**

The Pionairs support the reference to a prioritizing of risks included in the revised draft for risk management provided the risks associated with retirees are protected. In addition, the administrator should document how the investment strategy would change

with the change in plan member demographics, and should make the documentation available to plan members, beneficiaries, and retirees.

Regarding the Self-Assessment Questionnaire for Principle 7, the Pionairs suggest that the following questions be included:

- Have risks been identified that may impact retirees compared to other plan stakeholders?
- What is the priority given to specific risks related to retirees' rights?

### **Principle 8: Oversight and Compliance**

The Pionairs agree with the inclusion in Principle 8 of the requirement that processes be documented. Regarding the Self-Assessment Questionnaire for Principle 8, the Pionairs suggest that the following questions be included:

- Are there any legislative requirements, plan documents, regulatory or plan-specific policies that are unique to or that address retirees?
- Have the processes related to retirees reviewed?
- How does the review of processes that relate to retirees differ or compare with other aspects of the review of pension documents, policies and legislation?

### **Principle 9: Transparency and Accountability**

Generally, the Pionairs agree with Principle 9 of the Draft Guideline. It is important that retirees and other beneficiaries be given access to information and that the legislation and regulations should be minimum standards. Administrators should be encouraged to exceed minimum standards in providing information for good governance.

### **Principle 10: Code of Conduct and Conflict of Interest**

While we support Principle 10, the Pionairs recommend that there should be independent mechanisms and oversight to verify compliance with the code of conduct, and to identify and manage conflicts of interest. In addition, the code of conduct should specify the obligations to and among third parties, and other stakeholders, such as retirees.

Regarding the Self-Assessment Questionnaire for Principle 10, the Pionairs suggest that the following question be included:

- Are any conflicts of interest identified that relate to retirees or that relate to the differences between retirees and other stakeholders?

### **Principle 11: Governance Review**

The Pionairs agree that there should be a governance review as provided by Principle 11. The Pionairs would like to see the review occur at least annually. We would also like to see the plan administrator develop and document strategies on how the governance practices would be changed to facilitate the future achievement of governance objectives.

We would like to see impartial processes set to ascertain the degree to which the plan governance objectives were being met. In addition to self-analysis, an external person or organization should review the internal controls of the pension administration and governance. There should be an independent mechanism or ombudsman that can respond to legitimate beneficiary and retiree concerns about plan governance.

### **Conclusion**

The Pionairs support CAPSA's goal of promoting good pension plan governance and agree with most of the changes proposed by the Draft Guideline. Our main concern is that the unique and important rights and vulnerabilities of retirees be protected. We look forward to the opportunity to participate further in CAPSA projects and consultations.