



Guideline No. 3

Guidelines for Capital Accumulation Plans

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Table of Contents

SECTION 1: INTRODUCTION.....	4
1.1 THE INTENT OF THESE GUIDELINES	4
1.2 DEFINITIONS OF TERMS USED IN THESE GUIDELINES	4
1.3 RESPONSIBILITIES OF THE CAP SPONSORS, SERVICE PROVIDERS, AND CAP MEMBERS	6
SECTION 2: SETTING UP A CAP	8
2.1 GENERAL	8
2.2 INVESTMENT OPTIONS	10
2.3 MAINTENANCE AND RETENTION OF RECORDS.....	12
SECTION 3: EDUCATING MEMBERS ABOUT THE CAPITAL ACCUMULATION PLAN	13
3.1 GENERAL	13
3.2 INVESTMENT OPTIONS	15
3.3 TRANSFERS BETWEEN INVESTMENT OPTIONS	16
3.4 DESCRIPTION OF FEES AND EXPENSES	16
3.5 ADDITIONAL INFORMATION	17
SECTION 4: DECISION-MAKING TOOLS AND INVESTMENT ADVICE FOR CAP MEMBERS	18
4.1 GENERAL	18
4.2 INVESTMENT INFORMATION.....	18
4.3 DECISION-MAKING TOOLS.....	19
4.4 INVESTMENT AND FINANCIAL PLANNING ADVICE.....	19
SECTION 5: ONGOING COMMUNICATION TO CAP MEMBERS.....	21
5.1 MEMBER STATEMENTS	21
5.2 OTHER INFORMATION	22
5.3 PERFORMANCE REPORTS FOR INVESTMENT OPTIONS.....	23

SECTION 6: MAINTAINING OVERSIGHT OF A CAP	25
6.1 REVIEWING PLAN AND GOVERNANCE FRAMEWORK	25
6.2 REVIEWING FEES AND EXPENSES	25
6.3 REVIEWING SERVICE PROVIDERS	26
6.4 REVIEWING INVESTMENT OPTIONS AND FUNDS	26
6.5 REVIEWING MEMBER EDUCATION AND DECISION-MAKING TOOLS	27
6.6 REVIEWING MAINTENANCE OF RECORDS	27
SECTION 7: DECUMULATION AND CAP TERMINATION	28
7.1 CAP MEMBER DECUMULATION	28
7.2 TERMINATING A CAP	28

Consultation draft

SECTION 1: INTRODUCTION

These guidelines update and replace the [2004 Guidelines For Capital Accumulation Plans](#) issued by the Joint Forum of Financial Market Regulators. They reflect the expectations of regulators regarding the operation of a workplace capital accumulation plan (CAP), regardless of the regulatory regime applicable to the plan. They are intended to support the continuous improvement and development of industry best practices.

These guidelines are also relevant where CAP sponsors have chosen to offer retirement income options as part of or as an extension to their CAPs. Many of the administration, investment and communication principles will apply equally in the accumulation and decumulation phases.

Within these guidelines, CAPSA has made an effort to be consistent, where possible, with the other guidelines it has issued. The other guidelines can be accessed by going to the CAPSA website and are applicable to CAPs that are registered defined contribution pension plans (DCPPs) and may provide useful information to other types of CAPs.

These CAP guidelines apply to all workplace CAPs, as that term is defined in these guidelines. Sponsors and/or administrators of workplace tax assisted investment or savings plans or programs that do not permit members to make investment decisions may find some of the information offered in these guidelines useful.

1.1 THE INTENT OF THESE GUIDELINES

The intent of these guidelines is to:

- outline and clarify the regulators' views on:
 - i. the responsibilities of CAP sponsors, administrators, service providers and CAP members, and
 - ii. industry best practices in the maintenance and administration of a CAP; and,
- detail the information that regulators recommend should be provided to CAP members.

These guidelines do not replace or modify any legal requirements applicable to particular CAPs.

1.2 DEFINITIONS OF TERMS USED IN THESE GUIDELINES

1.2.1 Capital Accumulation Plan

A CAP is a workplace tax assisted investment or savings plan or program that permits its members to make decisions in respect of the investment of their individual accounts among two or more investment options selected and offered by the CAP sponsor. A CAP may be established by an employer, trade union, association, board of trustees, licensed administrator of a Pooled Registered Pension Plan (PRPP) or Voluntary Retirement

Savings Plan (VRSP), or any combination of these entities for the benefit of its employees or members or the employees of participating employers or self-employed persons.

Examples of a CAP may include the following workplace plans or arrangements provided for groups of employees: DCPP (with or without post-employment variable benefits options), registered retirement savings plan (RRSP), deferred profit sharing plan (DPSP), registered education savings plan (RESP), locked-in retirement account (LIRA), registered retirement income fund (RRIF), life income fund (LIF), PRPP, VRSP, Tax Free Savings Account (TFSA); and such other group workplace plans or vehicles that meet the definition of a CAP as described above.

1.2.2 CAP Sponsors

The CAP sponsor is the entity that establishes the CAP and is responsible for the choice of the investment options offered to CAP members or has assumed such responsibility for an existing CAP.

The following is a summary of CAP sponsors by common plan types:

DCPP*, RRSP, TFSA and RESP: the CAP sponsor may be the employer, former employer, trade union or other association.

RRIF, LIF and other retirement income drawdown options: the CAP sponsor may be the former employer, trade union or other association or a licensed administrator.

DPSP: the CAP sponsor is the employer.

PRPP/VRSPs: The CAP sponsor is the licensed administrator.

*Under pension legislation, the duties of the employer sponsoring a DCPP are distinct from the duties of the DCPP plan administrator. Where used in these guidelines, the term "CAP sponsor" shall be deemed to include a DCPP administrator, unless otherwise indicated.

1.2.4 Service Providers

"Service Providers" include any provider of services or advice with whom the CAP sponsor has an agreement for the performance of certain duties relating to the establishment and/or the ongoing operation of a CAP and/or to whom the CAP sponsor refers the CAP members to help them understand and make their investment and other CAP related decisions.

1.2.5 CAP Members

"CAP members" are individuals who have assets in an individual account under a CAP.

These individuals may include employees or former employees, self-employed individuals, trade union or association members and in certain cases, their surviving spouses or common law partners.

1.2.6 Investment Funds

An “investment fund” means a mutual fund (for example, a redeemable fund or an exchange-traded fund (ETF)), non-redeemable investment fund, segregated fund or similar pooled investment product made available to members under the CAP for the investment of their CAP assets or payment of retirement income.

1.2.7 Investment Options

An “investment option” means an investment fund or other type of investment made available to members under the CAP.

1.3 RESPONSIBILITIES OF THE CAP SPONSORS, SERVICE PROVIDERS, AND CAP MEMBERS

1.3.1 The CAP Sponsor

Pension legislation sets out a duty of care for DCCP plan administrators. More generally, all CAP sponsors have some level of common law fiduciary responsibility towards CAP members. The exact nature and degree of that responsibility is determined by factors such as:

- i. whether members contribute;
- ii. whether facilities to hold contributions (along with any investment returns) are established by the CAP sponsor;
- iii. the discretionary authority of CAP sponsors to make decisions on behalf of CAP members (including what investments to make available and the level of fees that will be charged to members), along with the financial impact of these decisions on CAP members;
- iv. the imbalance between CAP sponsors and CAP members in their ability to negotiate terms with and access information from service providers;
- v. the varying levels of financial literacy among CAP members; and
- vi. the reliance and expectation of trust by CAP members (often including by virtue of the employment relationship) on CAP sponsors.

In maintaining a CAP, it is expected that the CAP sponsor will perform (or delegate to service provider(s)) the tasks outlined in these guidelines. Delegates may include external third-party service providers. Even where CAP sponsors have delegated certain tasks or functions to service providers, it is important to note that the CAP sponsor retains the ultimate responsibility for administering and overseeing their CAP plan and should be continuously engaged in fostering the achievement of the intended member outcomes.

The CAP sponsor is responsible for items such as:

- i. setting up the CAP;
- ii. determining the key features of the CAP, including automatic features, if any;
- iii. selecting service providers, if any;
- iv. selecting investment options and investment funds;
- v. maintaining records;
- vi. introducing the CAP and providing ongoing education to CAP members (see [Section 3.1.2. Outlining the Rights and Responsibilities of CAP Members](#));
- vii. providing ongoing plan communications to CAP members;
- viii. providing decision-making tools and investment information to CAP members;
- ix. maintaining oversight of the CAP, including the on-going performance monitoring and oversight of service providers and investment options, review fees and expenses, and review of member education materials and decision-making tools;
- x. determining and/or providing members with education on the options available upon their termination or retirement (as applicable); and
- xi. terminating the CAP.

In the sections that follow, each of the above responsibilities is addressed in detail.

1.3.2 Service Providers

To the extent that the tasks or functions within the areas of responsibilities of the CAP sponsor are performed by a service provider, the service provider should follow these guidelines.

Service providers engaged by the CAP sponsor must have the appropriate level of knowledge and skill to perform the tasks delegated, and to provide any advice within their area of expertise and the terms of engagement negotiated with the CAP sponsor.

1.3.3 CAP Members

CAP members are responsible for making decisions related to their participation in the CAP, including investment decisions, and taking advantage of the education materials and tools made available by the CAP sponsor (and service providers) to inform themselves about the CAP's features and terms and their rights and obligations as participants in the CAP.

Examples of decisions made by CAP members include:

- i. how much to contribute (where the member can make this choice);
- ii. how much they should allocate to any particular investment option;
- iii. which decumulation option (or combination thereof), if applicable, will best suit their retirement income and estate planning needs; and
- iv. how to and how much to withdraw annually for retirement income, if applicable.

SECTION 2: SETTING UP A CAP

2.1 GENERAL

2.1.1 Defining the Purpose of a CAP

CAP sponsors should clearly define and document the purpose of the CAP, in terms of its intended outcome for members. It is crucial for CAP sponsors to have a clear sense of the plan's purpose for decision-making, to assist in prioritizing decisions with the greatest impact on outcomes.

The terms of the plan should be consistent with its purpose and what is communicated to CAP members.

Some of the purposes for which a CAP sponsor may establish a CAP are:

- provide income at retirement;
- tax efficient compensation;
- profit sharing; and,
- savings for other financial goals such as education, home purchase, etc.

Any decision to change the purpose of the plan and the modified purpose of the plan should be documented.

For DCPs in particular, it is important to note that the primary purpose of the CAP is to enable members to eventually receive lifetime retirement income from their savings¹.

2.1.2 Setting up a Governance Framework

The CAP sponsor should establish and document a governance framework for the administration of the plan, which may include:

- i. description of the roles, responsibilities, accountabilities of all participants in the plan;
- ii. a communication process;
- iii. a code of conduct, including a policy to manage conflicts of interest;
- iv. a risk management framework (as applicable to the CAP);
- v. a framework for the regular review of the performance of service providers, and/ or investment managers (with articulated performance criteria);
- vi. dispute resolution mechanism(s); and
- vii. a process for the regular review of the governance process.

¹ For registration of a pension plan under the Income Tax Act, a condition is that “the primary purpose of the plan is to provide periodic payments to individuals after retirement and until death in respect of their service as employees” (section 8502(a) Income Tax Regulations).

2.1.3 Automatic Features

The CAP Sponsor may consider whether to establish automatic features as part of the CAP. Depending on the purpose of the CAP, there may be benefits to the inclusion of automatic features in a CAP, such as (i) increased participation in a plan, (ii) early and greater contributions, and (iii) appropriate investment selection; which may lead to greater positive member outcomes.

These automatic features may be combined and include:

- i. automatic enrollment;
- ii. automatic escalation of CAP member contributions;
- iii. automatic rebalancing of investments;
- iv. electronic communication;
- v. default investment options; and
- vi. default elections at termination of employment and retirement.

The automatic features within the CAP should be disclosed to CAP members upon enrollment in, or amendment to, the plan with the ability to opt-out if applicable.

2.1.4 Deciding whether to use Service Providers

The CAP sponsor should decide if it has the necessary knowledge and skills to carry out the responsibilities set out in these guidelines and to comply with all relevant legal requirements.

Where the CAP sponsor does not have the necessary knowledge and skills to carry out certain tasks or functions within its responsibilities, service providers should be used. Where the CAP sponsor chooses to delegate tasks or functions to a service provider, the CAP sponsor retains the ultimate responsibility for maintaining and overseeing the CAP plan, including reviewing the performance of those service providers (more information on this is provided in [Section 6: Maintaining Oversight of A CAP](#)).

2.1.5 Selecting Service Providers

After considering its specific needs, the CAP sponsor should establish criteria for the selection of service providers and use these to select any service providers it engages.

Factors for the CAP sponsor to consider when establishing criteria for selecting service providers include:

- i. potential conflicts of interest;
- ii. reputation;
- iii. professional qualifications or designations;
- iv. experience;
- v. specialization in the type of service to be provided;

- vi. controls in place to secure CAP members' personal data;
- vii. consistency of service offered in all geographical areas in which members reside;
- viii. quality, level and continuity of services offered; and,
- ix. cost of services provided, including the reasonableness of all member-borne fees and whether those fees achieve tangible benefits for members in terms of services provided (see [Section 6.2 Reviewing Fees And Expenses](#)).

Where the CAP sponsor delegates tasks or functions to a service provider, the CAP sponsor should ensure that the applicable roles and responsibilities of the CAP sponsor and service provider are carefully documented.

2.2 INVESTMENT OPTIONS

2.2.1 Selecting Investment Options

The CAP sponsor should select investment options to be made available in the plan. The investment options for CAPs may be limited by legislation. CAP sponsors must comply with all applicable legal requirements when choosing investment options.

Examples of investment options include:

- investment funds;
- guaranteed investment certificates (GICs);
- guaranteed and non-guaranteed lifetime annuity contracts;
- employer securities;
- other securities.

Factors a CAP sponsor should consider when choosing investment options, including any default investment option that may be selected by the CAP sponsor (see Section 2.2.4), include the:

- i. purpose of the CAP and its intended member outcomes;
- ii. number of investment options to be made available;
- iii. risk and potential returns associated with the investment options;
- iv. level and reasonability of fees associated with the investment options and whether those fees achieve tangible benefits for members in terms of net return (see [Section 6.2 Reviewing Fees And Expenses](#));
- v. CAP sponsor's ability to assess and review the options initially and on a periodic basis;
- vi. administrative limitations of the service provider;
- vii. diversity and demographics and observed behaviour of CAP members;
- viii. degree of diversification among the investment options; and
- ix. liquidity of the investment options.

The CAP sponsor is responsible for monitoring the ongoing performance of each investment option in the plan and reviewing the appropriateness of the investment option line-up, including the default investment (see [Section 6: Maintaining Oversight of A CAP](#)).

In determining the investment option line-up design, the CAP sponsor should consider that a large number of investment options will impose a greater governance burden on the CAP sponsor in their oversight of these options and may make member decision making more complex.

2.2.2 Selecting Investment Funds

If the investment options chosen by the CAP sponsor include investment funds, the following factors should also be taken into account when selecting the funds that are to be made available:

- i. the attributes of the investment funds such as the investment objectives, investment strategies, investment risks and historical performance;
- ii. the investment manager's investment and risk management processes;
- iii. the criteria outlined for the selection of service providers (see [Section 2.1.5: Selecting Service Providers](#)) should be applied in the selection of the investment manager(s) or service provider of the investment funds; and the reasonableness of fees.

2.2.3 Transfers Among Investment Options

The CAP sponsor may restrict the number of transfers a member can make, but CAP members should be allowed reasonable opportunities to transfer among the investment options available in the plan. Administrative costs incurred in making the transfer may be charged to members initiating the transfer, if the contract provides for it. This should be communicated to members in advance of incurring the charge whenever possible.

It may be appropriate to restrict the number of transfers each individual member can make to limit costs borne by the CAP sponsor or collectively by all members or to discourage potentially adverse frequent trading. Restrictions may include limiting the number of transfers by members or imposing fees if the established limit is exceeded.

2.2.4 Policy Regarding Failure to Make Investment Choice

Given that CAP members face the investment risk when participating in a CAP, they should utilize the education materials and tools the CAP sponsor provides, to make their own investment choices from the options available. However, the CAP sponsor should establish a policy that outlines what happens if a CAP member does not make an investment choice within a specified period of time. The CAP sponsor should describe the default investment option that will be applied to the member's assets if the member does not make a choice. The policy should be disclosed to the member before any action is taken.

Factors CAP sponsors should consider in establishing the default investment option:

- i. the purpose of the CAP and intended member outcomes;
- ii. the level of risk associated with the default option;

- iii. the level and reasonability of fees associated with the default option and whether those fees achieve tangible benefits for members in terms of net return (see [Section 6.2 Reviewing Fees And Expenses](#));
- iv. the diversity, demographics and observed behaviour of CAP members;
- v. the degree of diversification provided by the default option; and
- vi. the liquidity of the default option.

The time horizon of a default investment should be appropriate for the time horizon and purpose of the CAP. A CAP sponsor should consider a default option that could be suitable as the core of a member's investments, not just in the context of an absence of member choice.

2.3 MAINTENANCE AND RETENTION OF RECORDS

The CAP sponsor should prepare and maintain the CAP records, either internally or through a service provider. The CAP sponsor should consider controls necessary to secure CAP members' personal data.

The CAP sponsor should also establish a document retention policy for the plan. The contents of a document retention policy include:

- a description of the types of documents to be retained;
- how the documents will be retained and secured; and
- how long various types of documents should be retained.

SECTION 3: EDUCATING MEMBERS ABOUT THE CAPITAL ACCUMULATION PLAN

The CAP sponsor should adopt an ongoing member education strategy that is geared towards the purpose and intended outcome of the CAP and designed to improve member decisions and outcomes. For CAPs with a retirement savings/income focus, CAP sponsors are particularly encouraged to adopt practices that will help members understand the retirement income their projected individual account balance is likely to provide, given the choices available to members.

CAP members' varying levels of financial literacy and engagement, financial capacity to save, and ability to access information, are all factors that contribute to the challenges members face in engaging with their CAP and making informed decisions.

The relatively high degree of trust that exists between members and the CAP sponsor can be valuable when seeking to engage members. As such, the CAP sponsor is encouraged to actively engage in an ongoing education process, and should consider incorporating their branding into the communication activities of any third-party service provider, to encourage member engagement.

The CAP sponsors should also periodically review the effectiveness of the CAP's education strategy, materials, resources and tools, using criteria that are consistent with the purpose and intended outcomes of the CAP.

Member communication and education considerations in this and subsequent sections are not limited to a member's initial enrollment, but should be considered as part of the CAP's ongoing education strategy and curriculum.

3.1 GENERAL

3.1.1 Information on the Nature and Features of the CAP

When an individual becomes eligible to enrol in a CAP, as well as on an ongoing basis, the CAP sponsor should provide, or provide access to, current information regarding the purpose of the CAP, its intended outcomes, features, and how members can positively impact their own potential outcomes.

The information provided or made available to CAP members should include, but not be limited to:

- i. enrolment information, including as applicable:
 - a. how and when to enroll;
 - b. any eligibility waiting period;
 - c. the benefits of not delaying enrollment;
 - d. how to opt out of the plan;

CAPSA GUIDELINE NO. 3
GUIDELINES FOR CAPITAL ACCUMULATION PLANS

- e. the rules/opportunities for enrolling at a later date if the individual opted out, and;
- f. the rules/opportunities for re-enrolling if an individual has previously terminated membership;
- ii. contribution levels and/or options;
- iii. automatic features, if any;
- iv. how members may take advantage of any existing CAP features to improve their potential outcomes, such as employer contribution matching, voluntary contributions, or transfers into the CAP from other plans;
- v. investment funds and other investment options available, including the intended objective and risk profile associated with each investment option;
- vi. how to choose among the investment options, how a CAP member can change their choices, fees for changing investment funds and other investment options, and how long it will take for choices and changes to be implemented;
- vii. the default investment option and its risk profile and intended objective;
- viii. how to access investment information and other decision-making tools;
- ix. disclosure about the types of possible situations where transfer between investment options may be suspended from time to time;
- x. description of member borne fees/ expenses and, where members must choose between options with different fees associated with them, how those fees may impact their potential outcomes;
- xi. how to terminate membership;
- xii. the decumulation options available (as applicable) and the benefits and risks associated with each option;
- xiii. how to withdraw or transfer money to available decumulation options and/or generate periodic retirement income;
- xiv. names of service providers with whom CAP members interact, if applicable; and,
- xv. how and when they will receive communication or notice of availability of information about their accounts.

Though the CAP information, education resources and tools discussed in these guidelines should generally be made available to CAP members on a continuous basis, CAP sponsors should consider additional strategies to reduce barriers to member engagement. This could include promoting the use of certain sets of related education material or 'curriculum' tailored to a member's career stage, and/or pushing out certain information in front of members when it is most likely to be relevant to them as individuals.

When communicating with plan members, CAP sponsors and service providers should strive at all times to use plain language. All CAP sponsors may find the [CAPSA DCCP Member Guide](#) a useful reference when developing or reviewing their member education strategy.

3.1.2 Outlining the Rights and Responsibilities of CAP Members

The CAP sponsor should provide, or provide access to, information outlining CAP members' rights and responsibilities under the CAP.

Some responsibilities of CAP members include:

- i. accessing available information about the nature and features of the plan;
- ii. making investment decisions from among the available options chosen by the CAP sponsor;
- iii. making contribution decisions, if applicable, including how much to contribute and when;
- iv. taking advantage of education materials, resources, and decision-making tools CAP sponsor provides;
- v. informing themselves about how participation in the plan fits within the wider context of their personal financial situation;
- vi. obtaining investment advice or financial planning advice from a [qualified adviser](#), and;
- vii. informing the CAP sponsor of any errors in their personal data or account records.

3.2 INVESTMENT OPTIONS

The CAP sponsor should provide CAP members with sufficient detail about the investment options available in the plan so they can make informed investment decisions.

For each investment option available in the plan, the CAP members should be provided with the following information:

- i. a description of the investment option including its name, type of investment and the investment objective;
- ii. a description of the risks associated with the investment option;
- iii. any investment restrictions or limitations associated with the investment option;
- iv. the cost of holding the investment option (see [Section 3.4 Description of Fees and Expenses](#));
- v. if available, the historical performance of the investment option, the historical performance of an appropriate benchmark and a statement that past performance may not be repeated and is not necessarily indicative of future performance; and
- vi. if applicable, where a member can obtain more information about the option, including portfolio holdings and other detailed disclosure.

3.2.1 Investment Funds

For each investment fund made available as an investment option in the plan, the CAP sponsor should provide, or provide access to, the following additional information for CAP members:

- i. names of all investment fund managers responsible for the day-to-day management of the fund assets;
- ii. the types of investments the fund may hold; and
- iii. if available, the risk rating of the fund.

3.2.2 Employer Securities

When securities of the employer or a related party of the employer are permissible investments under the applicable legislation and are included as an investment option in the plan, the CAP sponsor should provide the following additional information to CAP members:

- i. the relationship between issuer and employer if the issuer of the security is different from the employer of the CAP members, and a description of the relationship between the issuer and the employer;
- ii. the risks associated with investing in a single security; and
- iii. the risks associated with both being employed by an employer and investing in its, or a related party's, securities.

3.3 TRANSFERS BETWEEN INVESTMENT OPTIONS

The CAP sponsor should provide, or provide access to, information for CAP members about how to make transfers between investment options. This information should include, but not be limited to:

- i. any required forms and where the member should send them;
- ii. the methods available for making transfers (for example, on the website provided by a service provider);
- iii. any costs that may be incurred for transferring among options;
- iv. any restrictions on the number of transfers among investment options a member is permitted to make within a given period, including any maximum limit after which a fee would be applied;
- v. any specific account restrictions due to suspension of trading; and
- vi. the rules pertaining to any automatic transfers between investment funds that may be triggered, for example if the plan offers auto-rebalancing or auto-transfer in lifecycle type funds.

In the event of any suspension of trading in investment options, the CAP sponsor should explain the reason why transfers are or will be suspended. Details on the restrictions associated with the suspension should be provided or made available before the suspension occurs (where reasonably possible).

3.4 DESCRIPTION OF FEES AND EXPENSES

Members should be provided with information regarding the level of fees and expenses payable by the member or through the member's account, including asset-based fees and operating expenses that are payable with respect to each investment option.

This information should be provided or made available upon the introduction of the CAP, and at least annually thereafter as well as whenever there are changes to the investment fund and other investment options, fees or expenses. Fee and expense information is

relevant for CAP members when comparing in-plan savings opportunities relative to other opportunities.

The type of fees associated with the member account and their activities in a CAP may include:

- i. transaction fees incurred when investments are bought, sold/redeemed or transferred;
- ii. costs associated with accessing or using any of the investment information or decision-making tools the CAP sponsor provides or makes available, or for investment advice from a service provider;
- iii. investment funds management fees;
- iv. investment funds operating expenses including administration, audit, legal and custodial fees, cost of financial statement and other reports or filings, taxes and transfer agency fees; and
- v. account, trustee, brokerage, custodial, record keeping fees and fees for other services from service providers.

Fee and expense information should be provided in plain language. It should include descriptions of the services provided for those fees and expenses as well as the long-term impact they have on the member's individual account balance and their potential retirement income (where applicable).

Details should be provided where the additional detail would impact member decision making. Fees and expenses that are incurred by members by virtue of member choices (e.g., transfer fees, additional investment information or tools, etc.) should be disclosed separately. Other fees like investment fund management fees and operating expenses, which are normally included in the management expense ratio can be disclosed in aggregate.

3.5 ADDITIONAL INFORMATION

The CAP sponsor should provide the CAP members with an outline of how they can access additional information related to the plan and a description of the type of information that is available.

SECTION 4: DECISION-MAKING TOOLS AND INVESTMENT ADVICE FOR CAP MEMBERS

The CAP sponsor should provide, or provide access to, investment information and decision-making tools to assist CAP members in determining and achieving their desired outcomes, including deciding how to invest their CAP assets and how much and when to contribute to the CAP (as applicable).

4.1 GENERAL

To decide what investment information and decision-making tools to provide or make available to CAP members, and how and when they should be provided or made available, the CAP sponsor should consider:

- i. the purpose, type and particular features of the CAP;
- ii. the investment and other decisions CAP members must make;
- iii. the cost of the investment information and decision-making tools;
- iv. the location, diversity, financial literacy and demographics of the CAP members;
- v. the extent of CAP members' access to, and familiarity with, computers, mobile devices and the internet; and
- vi. any applicable legal requirements concerning decision-making tools or disclosure of information to CAP members.

The investment information and decision-making tools the CAP sponsor provides, or makes available, need not address the entire financial circumstances and planning needs of the CAP members. However, the CAP sponsor may consider tools that capture their other personal savings and/or government benefits to provide members with a holistic picture of their potential income at retirement.

4.2 INVESTMENT INFORMATION

The CAP sponsor should provide, or provide access to, investment information to assist CAP members in making investment decisions within the plan.

Examples of investment information include,

- i. glossary of terms used;
- ii. information about investing in different types of securities (e.g. equities, bonds) or different types of investment funds (e.g. equity and bond funds);
- iii. information regarding the relative level of expected risk and return associated with different investment options;
- iv. the impact of expected returns and fees on projected retirement income; and
- v. performance reports for any investment funds and other investment options offered in the CAP.

4.3 DECISION-MAKING TOOLS

The CAP sponsor should consider including the following decision-making tools:

- i. investor profile questionnaires or other tools to assist in investment option selection;
- ii. asset allocation tools, which allow for a combination of investment options and understanding of its consistency with their investor profile;
- iii. retirement planning tools, if applicable, including tools that assist members in estimating their potential living and lifestyle expenses in retirement;
- iv. calculators and projection tools to help members assess the impact of each of the following on their potential individual account balance and the resulting potential retirement income (as applicable to the CAP):
 - a. contribution level and timing options;
 - b. withdrawals;
 - c. investment selections; and,
 - d. any fees and expenses associated with each option; and,
- v. tools to assess the impact of each available decumulation option can have on their retirement income (as applicable to the CAP).

4.3.1 Investment Projections and Assumptions

The calculations within many of the decision-making tools that provide future projections require assumptions. Plan sponsors should ensure that the process for setting assumptions is prudent and should periodically review the assumptions and/or modelled output for reasonability. Plan sponsors should disclose assumptions to plan members. Disclosures should describe how outcomes are affected if different assumptions are used. If estimates are provided to plan members, disclosures should indicate that actual results will likely differ.

4.4 INVESTMENT AND FINANCIAL PLANNING ADVICE

In addition to providing or making available investment information and decision-making tools, a CAP sponsor may consider whether to enter into an arrangement with or refer CAP members to one or more service providers who are appropriately qualified to provide investment or financial planning advice and who can assist CAP members in deciding how to invest their CAP assets.

If the CAP sponsor enters into such an arrangement, it should clearly communicate to CAP members the nature of the advice from the service provider, how the advisor is compensated and who is paying for their services. This should include any limitations respecting the service provider's mandate or scope of services or any real or perceived conflicts of interest or lack of independence arising from the CAP sponsor's involvement in selecting, retaining and/or compensating the service provider.

Where the CAP sponsor does not enter into such an arrangement, the CAP sponsor may consider providing, or providing access to, information for CAP members on how to find

the right financial advisor for them, such as the Financial Consumer Agency of Canada's guide on [Choosing A Financial Advisor](#).

4.4.1 Selecting Service Providers to Provide Investment or Financial Planning Advice

As with the selection of all service providers, the CAP sponsor should use care in selecting investment advisors or financial planners, including but not limited to, developing criteria for their selection and selecting them in accordance with such criteria.

Factors for the CAP sponsor to consider when establishing criteria for selecting service providers to provide investment advice or financial planning services to members include:

- i. the criteria used to select service providers generally;
- ii. any conflict of interest or real or perceived lack of independence of the service provider relative to other plan service providers, the CAP sponsor and its members that may impact the investment advice or other services provided;
- iii. the quality of any asset allocation or financial planning model employed, and the appropriate processes for ensuring the on-going reasonableness of the model's underlying assumptions;
- iv. any legal requirements or qualifications such as registrations and/or proficiency requirements, that individuals and/or their firms must meet before they can provide investment advice or financial planning services, including the use of financial advisor and financial planner titles, as applicable;
- v. knowledge of CAPs and related tax and regulatory requirements, as applicable;
- vi. the requirement to protect the security of CAP members' personal data;
- vii. the level and competitiveness of fees charged for services provided, and which fees are paid by the member; and
- viii. any commissions or other incentives that the service provider may obtain from investment in certain options.

SECTION 5: ONGOING COMMUNICATION TO CAP MEMBERS

CAP member communication activities should be geared toward the outcome intended by the CAP. The CAP sponsor should regularly provide, or provide access to, information on the CAP members' account and the performance of the investment options available in the plan. The CAP sponsor should also provide, or provide access to, additional information upon the request of members.

5.1 MEMBER STATEMENTS

The CAP sponsor should provide, or provide access for CAP members, to a statement of their CAP account at least annually or as prescribed in legislation. The frequency at which statements should be provided or made accessible may be based on the types of investment options available in the CAP. Paper copies of the statement should be available to members upon request if another format is standard.

Member statements should be organized around clear, first-page content. For a CAP with a retirement focus, member statements should help members understand their level of savings and likely income in retirement

The member statement should also include but not be limited to:

- i. a summary of investment options listed by name, the total value of the member account invested in each investment option, and the proportion of new contributions invested in each investment option;
- ii. a summary of investment activity – opening balance, contributions by contributor (member and/or employer), by type (required, voluntary, and/or optional/matched/matching) and a reporting of any withdrawals, transfers-in, transfers-out, net change in the value of the account and closing balance of the account;
- iii. notice of any upcoming requirement or ability for a CAP member to commence retirement income;
- iv. minimum and maximum permitted withdrawal amounts for the following year, where applicable.
- v. specific information on each investment option (see the type of information in [Section 3.2 Investment Options](#)) and any additional information required by applicable legislation;
- vi. a reminder of any plan features that the member is not currently taking advantage of (e.g. employer contribution matching or voluntary contributions);
- vii. the CAP member's personal rate of return;
- viii. information regarding the total level of fees and expenses payable by the member or through the member's account with respect to each investment option elected by the member, and where to locate the fees and expenses with respect to other investment options available but not currently selected by the member; and
- ix. an explanation or demonstration of the impact that fees and expected returns have on the members' long-term saving and retirement income.

If a statement includes the calculation of a personal rate of return for CAP members, the method used to produce the calculation should be described, along with information about where the members can get a more detailed explanation of the calculation (if it is not shown on the statement). A personal rate of return should also be distinguished from any rate of return of an investment option (e.g., investment fund rate of return) disclosed in the statement.

5.2 OTHER INFORMATION

5.2.1 Access to Additional Information

Unless appearing in the CAP member statement, the CAP sponsor should provide CAP members with or access to additional information regarding their CAP account including details of:

- i. investment options available in the CAP, including how to obtain investment option holdings, financial statements and continuous disclosure information, if applicable;
- ii. transactions - investment description: date of transaction, transaction type (e.g., inter-fund transfer), amount, unit value, units purchased or withdrawn;
- iii. Guaranteed investment certificates (GICs) and other fixed term investment options such as term of the investment, date of maturity, interest rate, current book value plus accrued interest;
- iv. each of the other investment options (see [Section 3.2 Investment Options](#));
- v. contributions - option description, percentage of contribution to be allocated to option, type of contribution (member voluntary, member required, employer, transfer in);
- vi. any estimates, if provided, or projections and the related assumptions;
- vii. any additional breakdown of fees and expenses (see [Section 3.4 Description of Fees and Expenses](#)); and,
- viii. information on transfer options (see [Section 3.3 Transfers Between Investment Options](#)).

5.2.2 Report on Material Changes

Where the CAP sponsor determines that a material change in a CAP's purpose, features and/or investment options is planned, the CAP sponsor should provide advance notice to CAP members.

The notice of change should include, but not be limited to:

- i. the effective date of the change;
- ii. a brief description of and the reasons for the change;
- iii. how the change could affect the CAP member's holdings in the CAP (e.g., how the change may affect the level of participation, contributions or risk related to investing in a particular of investment option);
- iv. the manner in which assets will be allocated to a new investment option (where applicable);

- v. details of what the CAP members must do (if action is required) and the consequences of not taking action;
- vi. details of any transaction fees or market value adjustments that may apply to the change;
- vii. a summary of the tax consequences that may arise as a result of the change;
- viii. how to get more detailed information about the change; and,
- ix. a reminder to the CAP members to evaluate the impact of the change on their CAP.

Material changes in investment options are the changes that would be considered important by a reasonable investor in determining whether to purchase, sell/redeem or continue to hold the investment, which include the following:

- i. a change to the nature of an investment option, including the types of assets that may be included in an investment fund;
- ii. a change in the operation of an investment option, including the method of making transfers;
- iii. an addition or removal with or without replacement, of an investment fund or other option;
- iv. a change in the level of fees and expenses associated with an investment option or ongoing administration and record keeping paid by CAP members; and
- v. a change of a significant service provider to the CAP.

5.3 PERFORMANCE REPORTS FOR INVESTMENT OPTIONS

The CAP sponsor should provide or provide access to performance reports for each investment option in the CAP to members.

Each performance report should include, where applicable:

- i. the name of the investment fund for which performance is being reported;
- ii. the returns, name and description of the benchmark against which the investment fund's performance is measured, if applicable;
- iii. the performance of the fund over one, three, five and 10 years to the extent available and applicable; and/or the current and effective yields for money market investment funds;
- iv. whether the investment performance is gross or net of investment management fees and fund operating expenses (the same basis should be used for all investment options made available in the CAP);
- v. the level of fees and fund operating expenses and demonstration of the impact that these fees and expenses are having on the members' long-term savings and retirement income;
- vi. a description of the method used to calculate the fund performance, along with information on where to find a more detailed explanation; and
- vii. a statement that past performance may not be repeated and is not necessarily indicative of future performance.

**CAPSA GUIDELINE NO. 3
GUIDELINES FOR CAPITAL ACCUMULATION PLANS**

The frequency at which an investment performance report for each investment fund is provided, or made accessible, should be based on the prevailing market practice for that type of fund at the relevant time, but should be at least annually.

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SECTION 6: MAINTAINING OVERSIGHT OF A CAP

The CAP sponsor should periodically review all plan features, the service providers it engages, investment options available in the plan, including fees, records maintenance, member education and decision-making tools provided to members. The CAP sponsor should set the criteria and the frequency of the review (and/or triggering events to cause a review) of the various aspects of the CAP as outlined below. The CAP sponsor should consider any member feedback and complaints received as part of the review.

6.1 REVIEWING PLAN AND GOVERNANCE FRAMEWORK

The CAP sponsor may periodically review the CAP's features to determine if they continue to meet the purpose and objectives of the CAP. As part of the CAP sponsor's review, they may look to:

- i. CAP members' satisfaction and observed behaviour;
- ii. observed and projected outcomes the CAP is achieving;
- iii. reviewing new plan features in the marketplace; and
- iv. assessing the appropriateness of current or alternative plan features to CAP members.

The CAP sponsor should periodically reflect on its governance process, and in doing so reflect on these guidelines to ensure that it is fulfilling its roles and responsibilities in providing the CAP.

6.2 REVIEWING FEES AND EXPENSES

In meeting the standard of care to the CAP members, the CAP Sponsor should periodically review all member-borne fees and expenses for reasonability and competitiveness. The CAP sponsor is in a unique position to ask questions to obtain the information needed for effective decision-making, by both the CAP sponsor and the CAP member.

The CAP sponsor should consider the following, when reviewing new, existing or changing fees and expenses:

- i. requesting the breakdown of the different categories of all member-borne fees (see [Section 3.4 Description of Fees and Expenses](#));
- ii. asking questions to understand where the fees are going, within each category (e.g., does the CAP fundholder or insurance carrier receive a portion of a particular fund's investment fees in exchange for the use of their platform, and are there opportunities for savings);
- iii. comparing the fees and expenses information across service providers/ investment options to determine whether these are reflective of the going market rate (e.g., by periodically going to market or benchmarking);
- iv. looking for opportunities to leverage possible economies of scale that may be realized (e.g. from the negotiation of fees and expenses for the CAP in conjunction with other CAP or non-CAP benefits plans that may be sponsored by the CAP Sponsor);

- v. assessing the impact that the fees and expenses have over the long-term, on CAP members' savings and retirement income, where applicable; and
- vi. assessing whether existing fees and expenses come with justifiable, tangible benefits for CAP members in terms of net investment return, and the quality of education or other beneficial services it provides to members.

While low costs are important, so too are the services, member education strategies and tools, and investment strategies that can lead to better overall outcomes, given the unique characteristics and needs of the CAP members. For example, lower fee investment options may not always be better and the CAP sponsor may prefer to offer some higher fee investment options if they lead to higher or more predictable net returns.

The assessment of whether fees and expenses are delivering tangible benefits for members will involve reviewing the performance of each of the CAP's service providers, investment options and funds, and its member education and decision-making tools.

The CAP sponsor may consider obtaining the assistance of a service provider in reviewing the CAP's member-borne fees and expenses. However, care and consideration should be given to that service provider's independence from the specific fees and expenses which are the subject of the review.

6.3 REVIEWING SERVICE PROVIDERS

The CAP sponsor should periodically review the performance of its service providers, including those providing financial planning or investment advice.

In establishing criteria for the periodic review of service providers, CAP sponsors should consider:

- i. evolving CAP requirements;
- ii. updating the criteria to reflect the current marketplace, including fees and range of services available;
- iii. including a performance assessment of the service provider and the quality of its product or service; and
- iv. the CAP sponsor's satisfaction and the CAP member satisfaction or complaints, as applicable, regarding services rendered by the service provider.

6.4 REVIEWING INVESTMENT OPTIONS AND FUNDS

The CAP sponsor should periodically review the performance of each investment option and fund in the plan, including the appropriateness of the default option. The CAP sponsor should also review the appropriateness of the plan's aggregate investment line-up, taking into account the characteristics of plan membership and the levels of member engagement and financial literacy.

The CAP sponsor should review each investment option and fund, at least annually.

In establishing criteria for the periodic review of each investment option and fund, the CAP sponsor should ensure the investments continue to meet the criteria used in its selection and consider:

- i. updating the criteria to reflect changes in the marketplace;
- ii. including a performance assessment, relative to its benchmark, as applicable, over various time periods;
- iii. including an assessment of the level and reasonability of fees associated with the investment options and whether those fees achieve tangible benefits for members in terms of net investment return;
- iv. ensuring that risks and returns are aligned with expectations;
- v. the impact of any changes to the investment manager's firm, team or investment strategy; and
- vi. members' investment behaviour and usage of the investment fund.

6.5 REVIEWING MEMBER EDUCATION AND DECISION-MAKING TOOLS

The CAP sponsor should periodically review the effectiveness and appropriateness of the CAP's education materials, education strategy, investment information and decision-making tools.

In establishing criteria for the periodic review of the information and decision-making tools, CAP sponsors should include the:

- i. types of decisions members must make;
- ii. reasonability of underlying assumptions and/or modelled output within the current market environment;
- iii. cost relative to the value and/or usage or effectiveness of the tool or service;
- iv. observed patterns of investment behaviour of the members;
- v. observed and projected outcomes the CAP is achieving for members; and
- vi. members' satisfaction with the information and tools.

6.6 REVIEWING MAINTENANCE OF RECORDS

The CAP sponsor should periodically review their document retention policy and how well the plan's records are maintained.

The review may include:

- i. reviewing errors identified in the records; and
- ii. reviewing the appropriateness of the controls, processes and systems employed.

SECTION 7: DECUMULATION AND CAP TERMINATION

7.1 CAP MEMBER DECUMULATION

The termination of a CAP member's active participation (e.g., termination of employment, retirement or death), in the CAP should be done in accordance with the terms of the plan and any applicable legal requirements. It is important to note that while a CAP member's employment relationship with the CAP sponsor may end, the individual may remain a member of the CAP for some time thereafter. The CAP sponsor's duty of care to the CAP member continues for as long as they are a member of the CAP (i.e. as long as the member still has assets held in their individual account under the CAP).

7.1.1 Communicating to CAP Members on Termination of Active Participation

If a CAP member terminates active participation from a plan or if a CAP member decides to start receiving retirement income from a CAP that allows such an option, the CAP sponsor should provide the member or the member's survivor/beneficiary with information, as applicable, based on the nature of the CAP, such as:

- i. member's ability to remain in the plan, by legislation or by plan rules;
- ii. any requirement to move to an alternate plan;
- iii. any requirement to receive income from the plan;
- iv. explanation of the nature of each available decumulation option;
- v. explanation of how to withdraw or transfer money to available decumulation options and/or generate periodic retirement income;
- vi. explanation of the fees and expenses associated with any decumulation options that may be administered within the CAP itself or by the plans' existing fundholder (see [Section 3.4 Description of Fees and Expenses](#));
- vii. any actions the member or the member's survivor/beneficiary must take;
- viii. any deadlines for action by the member or the member's survivor/beneficiary;
- ix. the manner in which assets will be liquidated or distributed;
- x. any default options that may be applied if no action is taken;
- xi. the impact that the termination of plan membership will have on each investment option; and,
- xii. any tax consequences, market value adjustments, early withdrawal penalties or any other fees.

7.2 TERMINATING A CAP

The termination of a CAP should be done in accordance with the terms of the plan and any applicable legal requirements.

7.2.1 Communicating the Termination of a Plan to CAP Members

If a CAP sponsor is terminating the CAP, the CAP sponsor should promptly provide CAP members with the corresponding information as described in [Section 7.1.1 Communicating to CAP Members on Termination of Active Participation](#), as applicable. In addition, the CAP sponsor should also provide members with an explanation of the impact that the termination of the plan will have on each investment option.

When considering terminating a CAP, the CAP sponsor should take steps to locate any CAP members who are considered missing or for whom it does not have current mailing information. Depending on the nature of the CAP, CAP sponsors may find it useful to reference the [CAPSA Guideline No. 9 Searching for Un-locatable Members of a Pension Plan](#).

It is important to note that the CAP sponsor's responsibility for administering and overseeing their CAP plan continues for as long as any individual member account assets are held within the CAP.

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