



Guideline No. 3

Guideline for Capital Accumulation Plans

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SECTION 1: INTRODUCTION

This Canadian Association of Pension Supervisory Authorities (CAPSA) guideline updates and replaces the [2004 Guidelines For Capital Accumulation Plans](#) issued by the Joint Forum of Financial Market Regulators. It reflects the expectations of regulators regarding the operation of a capital accumulation plan (CAP), regardless of the regulatory regime applicable to the plan. It is intended to support the development of industry best practices.

This guideline is 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 this guideline, CAPSA has made an effort to be consistent, where possible, with the other guidelines it has issued. All CAPSA guidelines can be accessed by going to the CAPSA [website](#).

This CAP guideline applies to all CAPs, as that term is defined in this guideline, however CAPSA acknowledges that the application of this guideline is flexible and will vary depending on the nature (size, complexity, and other characteristics) of the CAP.

1.1 THE INTENT OF THIS GUIDELINE

The intent of this guideline is to outline and clarify the regulators' views on:

- i. the responsibilities of CAP sponsors, administrators, service providers and CAP members;
- ii. industry best practices in the maintenance and administration of a CAP; and
- iii. the information that should be provided to CAP members.

This guideline does not replace or modify any legal requirements applicable to particular CAPs.

1.2 DEFINITIONS OF TERMS USED IN THIS GUIDELINE

1.2.1 Capital Accumulation Plan (CAP)

A "CAP" is a tax assisted investment or savings plan or program where members make decisions in respect of the investment of their individual accounts among two or more investment options selected by the CAP sponsor. A CAP may be established by an employer, trade union or other 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.

Examples of a CAP with a retirement savings/income focus may include the following plans or arrangements provided for employees or members: defined contribution pension plan (DCPP) with or without post-employment variable benefits options, registered retirement savings plan (RRSP), deferred profit-sharing plan (DPSP), locked-in retirement account (LIRA), registered

retirement income fund (RRIF), life income fund (LIF), PRPP, VRSP, and Tax Free Savings Account (TFSA). Examples of a CAP without a retirement savings/income focus include registered education savings plan (RESP) and First Home Savings Account (FHSA).

1.2.2 CAP Sponsors

The “CAP sponsor” is the entity that establishes the CAP and is responsible for the choice of investment options offered to CAP members or has assumed such responsibility for an existing CAP. The following table is a summary of possible CAP sponsors by common plan types.

Table: CAP Sponsors by Plan Type

Type of account	Licensed Administrator	Employer or Former Employer	Trade Union or Other Association	Financial Institution	Board of Trustees/ Pension Committee
LIF/RRIF/LIRA		✓	✓	✓	
PRPP/VRSP	✓				
DCPP ¹		✓			✓
RRSP		✓	✓	✓	
DPSP		✓			
RESP		✓	✓	✓	
FHSA		✓	✓	✓	
TFSA		✓	✓	✓	

1.2.3 Service Providers

“Service providers” include any provider of services or advice with whom the CAP sponsor has an agreement for the performance of duties relating to the establishment and/or the ongoing operation of a CAP. Examples include record keepers, investment managers and investment advisors. CAP sponsors may refer CAP members to the service providers to provide information and assist members with CAP-related decisions and with making their investment.

1.2.4 CAP Members

“CAP members” are individuals who have an individual account under a CAP. These individuals may include employees or former employees, self-employed individuals, trade union or other association members and in certain cases, their surviving spouses or common law partners.

¹ Under pension legislation, the duties of the employer sponsoring a DCPP are distinct from the duties of the DCPP plan administrator. Where used in this guideline, the term “CAP sponsor” includes a DCPP administrator, unless otherwise indicated.

1.2.5 Investment Funds

For the purposes of this guideline only, an “investment fund” means a mutual fund (e.g., 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).

The above definition is intended to broadly reflect the range of investment options that may generally be considered to be investment funds across securities, insurance and pension sectors.

1.2.6 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 CAP SPONSORS, SERVICE PROVIDERS, AND CAP MEMBERS

1.3.1 The CAP Sponsor

Pension legislation sets out a duty of care for DCCP administrators². All CAP sponsors have responsibilities to CAP members which may in some instances include fiduciary responsibilities. The nature and extent of a CAP sponsor’s responsibilities depends on the type of CAP and its characteristics.

In maintaining a CAP, it is expected that the CAP sponsor will perform (or engage third party service provider(s) to perform) the tasks outlined in this guideline. Even where CAP sponsors have engaged service providers to carry out certain tasks or functions, the CAP sponsor retains ultimate responsibility for overseeing their CAP and should be 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 access to ongoing education to CAP members;
- vii. providing plan communications to CAP members;
- viii. providing CAP member access to decision-making tools and investment information;
- ix. maintaining oversight of the CAP, including the performance monitoring and oversight of

² A DCCP administrator has fiduciary responsibilities to plan members and beneficiaries. They may also have other responsibilities to other stakeholders (for more information see [CAPSA Guideline No. 4: Pension Plan Governance Guideline](#)).

- service providers and investment options, the review of fees and expenses, and of member education materials and decision-making tools;
- x. providing members with access to 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.

It is recognized that in many CAP arrangements the CAP sponsor relies heavily on the knowledge and capabilities of one or more service providers. In those situations, the CAP sponsor's primary activities with respect to the CAP are likely to involve communication with its members and supervision of the performance of its service providers and investments.

1.3.2 Service Providers

The service provider and the CAP sponsor should clearly define and document the tasks or functions the service provider is agreeing to perform.

Service providers engaged by the CAP sponsor must have the appropriate level of knowledge and skill to perform the tasks they agree to perform.

To the extent that a service provider agrees to perform tasks or functions within the areas of responsibility of the CAP sponsor, the service provider should follow this guideline. Any activities not carried out by a service provider must be carried out by the CAP sponsor.

Each service provider is expected to ensure that it complies with applicable laws as well as carrying out any commitments made to the CAP sponsor or CAP members.

Service providers that interact with CAP members should clearly inform CAP members whether they are providing investment advice. Service providers should inform the CAP sponsor, and where appropriate CAP members, if the service provider will monetarily benefit, beyond the fees otherwise disclosed, from a decision made by the CAP sponsor or CAP members.

1.3.3 CAP Members

CAP members are expected to utilize CAP sponsor provided materials and information to help them understand all aspects of their participation in a CAP. CAP members should strive to understand their plan, and must make decisions regarding their contributions to, investments in and withdrawals from the CAP. CAP members bear the investment risk inherent in a CAP.

CAP members should obtain investment advice from a qualified individual in addition to using information or tools that may be provided by the CAP sponsor or service provider.

Some key CAP member responsibilities include:

- informing themselves about the CAP's features and terms and their rights and obligations as participants in the CAP;
- making decisions about how much to contribute (where the CAP member can make this choice), and how much to allocate to any particular investment option;
- evaluating the automatic or default features of the CAP (e.g., investment options, contribution rates) and deciding whether to accept application of these features or make other choices;
- using the education materials and tools made available by the CAP sponsor (and service providers); and
- determining, if applicable, how, and how much to withdraw annually for retirement income and deciding which decumulation option(s), if applicable, will best suit their goals.

A more fulsome list of CAP member responsibilities is found under [Section 3.1.2 Outlining the Responsibilities of CAP Members](#).

SECTION 2: SETTING UP A CAP

2.1 GENERAL

2.1.1 Defining the Purpose of a CAP

CAP sponsors should clearly document the purpose of the CAP in terms of its intended outcome for members. It is crucial for CAP sponsors to have a clear understanding of the plan's purpose to assist in prioritizing decisions with the greatest impact on members' 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:

- 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 should be documented and communicated to CAP members.

For DCPs in particular, it is important to note that the primary purpose of the DCP is to enable members to eventually receive lifetime retirement income from their savings³.

2.1.2 Setting up a Governance Framework

The CAP sponsor should establish and document a governance framework for administration of the plan appropriate for the size, complexity, and other characteristics of both the CAP and the CAP sponsor, which may include:

- i. a description of the roles, responsibilities and accountabilities of any stakeholders or parties involved in the governance of the plan (e.g., employer, union, board of directors, pension committee, governance committee, service providers, plan members);
- ii. a communication process, including a process for addressing member complaints;
- iii. a code of conduct, including a policy to manage conflicts of interest;
- iv. a risk management framework (as may be applicable to the CAP);
- v. a framework for the regular review of the performance of service providers, including investment managers (with articulated performance criteria); and
- vi. a process for the regular review of the governance process.

³ 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 one or more automatic features. Depending on the purpose of the CAP, there may be benefits to the inclusion of automatic features, 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 include:

- i. automatic enrollment;
- ii. automatic escalation of CAP member contributions;
- iii. automatic rebalancing of investments;
- iv. default 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. Where an automatic feature will have a direct impact on a member, reasonable advance notice should be provided where possible.

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 this guideline 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 engage a service provider for certain tasks or functions, the CAP sponsor retains the ultimate responsibility for maintaining and overseeing the CAP, 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 (or changing) service providers include:

- i. potential conflicts of interest;
- ii. reputation;
- iii. professional qualifications or designations;
- iv. historical and expected stability of the service provider team;
- v. experience;
- vi. specialization in the type of service to be provided;
- vii. controls in place to secure CAP members' personal data;

- viii. consistency of service offered in all geographical areas in which members reside;
- ix. quality, level and continuity of services offered;
- x. competitiveness and reasonableness of the cost of services provided; and
- xi. appropriate level of access to information from the service provider to allow the CAP sponsor to meet CAP member disclosure requirements as outlined in this guideline.

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 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 term or lifetime annuity contracts;
- employer securities; and
- 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 return profile associated with the investment options;
- iv. competitiveness and reasonability of fees associated with the investment options, and whether those fees provide value for CAP members;
- v. CAP sponsor's ability to assess and review the options initially and on a periodic basis;
- vi. demographics and observed behaviors of CAP members;
- vii. degree of diversification among the investment options; and
- viii. 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 options (see [Section 6: Maintaining Oversight of a CAP](#)).

In determining the investment option line-up design, the CAP sponsor should consider that the more investment options that are available, the greater the governance burden will be on the CAP sponsor in their oversight of these options and the more complex member

decision-making will be.

2.2.2 Selecting Investment Funds

When the investment options chosen by the CAP sponsor include investment funds, the following factors should also be considered 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 and expected 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
- iv. the competitiveness and reasonableness of fees relative to the investment fund's expected risk and return profile.

2.2.3 Transfers Among Investment Options

CAP members should be allowed reasonable opportunities to transfer among the investment options available in the plan. Any administrative costs incurred in making the transfer may be charged to members initiating the transfer, if the contract provides for it, and should be communicated to members in advance of incurring the charge whenever possible.

2.2.4 Policy Regarding Failure to Make Investment Choice

Given that CAP members bear 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 and 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 CAP member, when possible, before any action is required.

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

- i. the purpose of the CAP and intended member outcomes;
- ii. the level of risk associated with the default option;
- iii. the competitiveness and reasonability of fees associated with the default option, and whether those fees provide value for CAP members;
- iv. the demographics and observed behavior of CAP members;
- v. the degree of diversification provided by the default option; and
- vi. the liquidity of the default option.

The investment strategy of the default option should be aligned with the time horizon and purpose of the CAP. The 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 investment choice.

2.3 MAINTENANCE AND RETENTION OF RECORDS

The CAP sponsor should prepare and maintain the CAP records related to the member accounts and the administration and governance processes of the CAP, 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 record retention policy for the plan. The contents of a record retention policy should include:

- a description of the types of records to be retained;
- how the records will be retained and secured; and
- how long various types of records 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 encouraged to adopt practices that will help members understand the retirement income their projected individual account balance is likely to provide.

CAP members' varying levels of financial literacy and engagement, financial capacity to save, and ability to access information and technology 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 engage members in an ongoing education process. The CAP sponsor could also consider incorporating processes such as sending materials from their internal communication channels or incorporating branding into communication activities.

The CAP sponsors should 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 education strategy.

3.1 GENERAL

3.1.1 Information on the Nature and Features of the CAP

When an individual becomes eligible to enroll 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 where applicable, 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;
 - 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 and other contribution features, if any, including opportunities to obtain matching contributions or to make voluntary contributions;
 - iii. automatic features, if any;
 - iv. ability to transfer assets from other plans into the CAP;
 - v. investment options available, including the intended objective and risk profile associated with each investment option;
 - vi. communicating the requirement for CAP member to choose among the investment options;
 - vii. ability and process around choosing and changing investment options, including timing of changes, restrictions including nature thereof, and any applicable fees;
 - viii. the default investment option and its risk profile and intended objective;
 - ix. how to access investment information and other decision-making tools;
 - x. description of how fees may impact member potential outcomes;
 - xi. how to terminate membership;
 - xii. the retirement income options available within the CAP (as applicable);
 - xiii. explanation of how to transfer money to products outside of the CAP;
 - xiv. contact information of service providers with whom CAP members interact, if applicable; and
 - xv. how and when members will receive communication or notice of availability of information about their accounts.

CAP information, education resources and tools discussed in this guideline should generally be made available to CAP members. CAP sponsors should consider promoting the use of certain sets of related education material at relevant times including plan specific deadlines. The CAP sponsor could consider customizing educational materials for segments of the membership that may share similar traits, such as those approaching retirement or those newly hired.

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

3.1.2 Outlining the Responsibilities of CAP Members

CAP members bear the investment risk inherent in a CAP and are expected to be involved in the management of their CAP account. To ensure that CAP members understand the CAP and their critical role in it, the CAP sponsor should provide, or provide access to, information outlining CAP members' responsibilities under the CAP.

The key responsibilities of CAP members to be clearly communicated to CAP members include the need to, where applicable:

- i. join the plan;
- ii. understand the nature and features of the plan;
- iii. make contribution decisions, including how much to contribute and when;
- iv. invest their contributions and investment balances, making decisions among

- the available investment options in the CAP;
- v. understand how the investment risk associated with their investment choices directly influence their potential outcomes;
 - vi. have knowledge of the automatic or default features (e.g., investment options, contribution rates) and decide whether to accept application of these features;
 - vii. use the education materials, resources, and decision-making tools the CAP sponsor provides;
 - viii. read and retain their statement, and other records and communications provided or made available to them;
 - ix. understand fees, expenses, penalties and related restrictions that may be applicable from time to time;
 - x. inform themselves about how participation in the plan fits within the wider context of their personal financial situation, including tax implications particularly when invested in multiple plans;
 - xi. obtain investment advice or financial planning advice from a qualified adviser, including regularly reviewing their investment selections, considering any changing life circumstances, how and how much to withdraw annually from retirement income, and which decumulation option(s), if applicable, will best suit the member's goals;
 - xii. ensure the ongoing accuracy of their personal and contact information and beneficiary designations on file with the CAP sponsor and service provider; and
 - xiii. select an appropriate option upon termination of active participation in the CAP, within the timeframe provided.

3.2 INVESTMENT OPTIONS

The CAP sponsor should provide, or make available to CAP members, sufficient detail about the investment options available in the plan so they can make informed decisions. This information should include:

- 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 fees and expenses associated with each investment option;
- 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 investment 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 management firms responsible for the day-to-day management of the fund assets;
- ii. the types of investments the fund may hold; and
- iii. the risk-return profile 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;
- iii. any costs that may be incurred for transferring among investment options;
- iv. any restrictions or implications with the number of transfers among investment options a member is permitted to make within a given period;
- 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 (e.g., if the plan offers auto-rebalancing or auto-transfer in lifecycle funds).

Details of the rationale and the transfer restrictions associated with the suspension of trading in the investment options 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, when there is a material change to the fees and expenses, and at least annually thereafter. Fee and expense information is relevant for CAP members when comparing in-plan investment options relative to other opportunities outside of the CAP.

The types 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 or investment advice the CAP sponsor arranges;
- iii. investment management fees;
- iv. operating expenses, generally including fund costs associated with administration, audit, legal, custody, financial statement and other reporting, filings, taxes, and transfer agency fees; and
- v. service provider fees and expenses, including 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 that fees and expenses may have on the member's individual account balance and their potential retirement income (where applicable). In considering fees, CAP members should review the level of fees compared to the service provided.

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, excessive trading) should be disclosed separately. Any flat fees charged to the members should also be shown separately. Investment fund management fees and operating expenses, which are normally included in the management expense ratio can be disclosed in aggregate. Service provider fees similarly charged as a percentage of assets may be aggregated with the investment fund management expense ratio.

The CAP sponsor should work with the service provider to determine how best to present the fee information to ensure it is clear and understandable to members.

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 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, 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 members' 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 regarding the relative level of expected risk and return associated with different investment options and funds, including a description of guarantees of the investment options;
- iii. information on asset allocation, building and rebalancing portfolios, and the importance of compounding returns and time horizon;
- iv. description of the default investment option;
- v. performance reports for any investment funds and other investment options offered in the CAP; and
- vi. fees and expenses associated with each investment option.

4.3 DECISION-MAKING TOOLS

The CAP sponsor should consider providing access to 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 the allocation's consistency with the member's investor profile;
- iii. retirement planning tools, if applicable, including tools that assist members in estimating their potential living and lifestyle expenses in retirement; and,
- 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 returns; and
 - d. the level of fees and expenses.

4.3.1 Investment Projections and Assumptions

The calculations within many of the decision-making tools that provide future projections require assumptions. CAP sponsors or their service providers should ensure that the process for setting assumptions is prudent and should periodically review the assumptions and/or modelled output for reasonability. CAP sponsors or their service providers 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 differ. Showing a range of results based on varying assumptions may be appropriate to convey the risk and variability around the estimates.

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, and include 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 the CAP sponsor may 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 (see [Section 2.1.5 Selecting Service Providers](#));
- 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 availability of an asset allocation or financial planning model, and the existence of processes for ensuring the on-going reasonableness of the model's underlying assumptions;
- iv. any 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 the CAP members' 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' accounts 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 CAP members access 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 for clarity of content. For a CAP with a retirement focus, member statements should help members understand their level of savings and projected income in retirement.

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

- i. a summary of investments, and the total value of the member account invested in each investment option;
- ii. the allocation of contributions invested in the chosen investment option(s);
- iii. a summary of investment activity for the statement period – opening balance, contributions by contributor (member and/or employer), by type (required, voluntary, and/or 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;
- iv. notice of any upcoming requirement or ability for a CAP member to commence retirement income, where applicable;
- v. minimum and maximum permitted withdrawal amounts for the following year, where applicable;
- vi. the CAP member's personal rate of return⁴; and
- vii. 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.

⁴ If a statement includes 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 be net of any applicable fees and expenses and should be clearly distinguished from any rate of return of an investment option 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 or make available, additional information regarding the CAP member's CAP account including details of:

- i. investment options available in the CAP, including how to obtain characteristics of the investment option, holdings of the investment option and other disclosure information, if applicable;
- ii. transactions: date of transaction, transaction type (e.g., inter-fund transfer), amount, unit value, units purchased or withdrawn;
- iii. characteristics of guaranteed investment and other fixed term investment options, such as term of the investment, date of maturity, interest rate, and exposure to market risk;
- iv. projections and estimates, if provided, and their key assumptions;
- v. any additional breakdown of fees and expenses (see [Section 3.4 Description of Fees and Expenses](#));
- vi. information on transfer options (see [Section 3.3 Transfers Between Investment Options](#)); and
- vii. an explanation or demonstration of the impact that fees and expected returns have on the member's long-term saving and retirement income.

5.2.2 Report on Material Changes

The CAP sponsor should provide advance notice to CAP members of any material change in the CAP's purpose, features and/or investment options.

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 CAP members' holdings in the CAP (e.g., how the change may affect the level of contributions or whether the change impacts the risk profile of a particular investment option);
- iv. the manner in which assets will be allocated or transferred to a new investment option (where applicable);
- v. details of what 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 CAP members to evaluate the impact of the change on their CAP, CAP strategy and personal financial situation.

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 a change to the asset mix or investment strategy;
- ii. a change in the operation of an investment option including a change in the investment manager;
- 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 expected 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 ten 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. a description of the method used to calculate the fund performance, along with information on where to find a more detailed explanation; and
- vi. a statement that past performance may not be repeated and is not necessarily indicative of future performance.

The investment performance report provided, or made accessible, for each investment fund should be updated at least annually, and be consistent with the prevailing market practice for that type of fund.

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 behavior;
- ii. observed and projected outcomes the CAP is achieving;
- iii. new plan features in the marketplace;
- iv. the retirement income options available within the CAP, if applicable; and
- v. the appropriateness of current or alternative plan features to CAP members.

The CAP sponsor should periodically review its governance process, and in doing so consider this guideline to ensure that it is fulfilling its roles and responsibilities in providing the CAP.

6.2 REVIEWING FEES AND EXPENSES

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 fees and expenses:

- i. requesting a description and breakdown of the different categories of all member-borne fees;
- ii. comparing the fees and expenses across service providers/ investment options to determine whether they are reflective of the going market rate (e.g., by periodically going to market or benchmarking);
- iii. 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 offered by the CAP sponsor);
- iv. assessing the impact that the fees and expenses have over the long-term on CAP members' savings and retirement income, where applicable; and
- v. assessing whether fees and expenses provide value for plan members including, but not limited to, net investment return, quality of education or other services.

While low costs are important, so too are the services, member education tools and investment strategies that often accompany higher cost options. These higher cost options may lead to better overall outcomes, given the unique characteristics and needs of the CAP members.

The assessment of whether fees and expenses are delivering value for plan 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 an independent service provider in reviewing the CAP's member-borne fees and expenses.

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;
- iv. reassessing any perceived or actual conflicts of interest; and
- v. assessing the CAP sponsor's satisfaction and CAP members' satisfaction regarding services rendered by the service provider.

6.4 REVIEWING INVESTMENT OPTIONS AND FUNDS

The CAP sponsor should periodically, and at least annually, review the performance of each investment option and fund in the plan. The CAP sponsor should review the appropriateness of the default option and 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.

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. assessing whether the amount of fees associated with the investment options are reasonable and achieve value for plan members given the actual and expected investment performance;
- iv. ensuring that risks, returns, and characteristics of the investment options are aligned with

- expectations;
- v. the impact of any changes to the investment manager's firm, team, or investment strategy; and
- vi. members' investment behavior 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 behavior 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 record 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.

The CAP sponsor should ensure that record retention policies comply with all applicable legislation governing record retention and protection of personal information.

The CAP sponsor should take steps to maintain the accuracy of member records, by employing a process to locate any CAP members who are considered missing or for whom it does not have current contact information and to document changes received from CAP members. 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](#).

SECTION 7: COMMUNICATION TO CAP MEMBERS ON TERMINATION OF ACTIVE PARTICIPATION

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 maintains responsibilities toward the former CAP member for as long as they still have assets held in their individual account under the CAP.

If a CAP member terminates active participation in the plan, 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. the ability to remain in the plan, as required or permitted 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. an explanation of how to transfer money to products outside of the CAP;
- v. an explanation of the fees and expenses if the funds remain in the CAP itself or with the plan's existing fundholder;
- vi. any actions the member or the member's survivor/beneficiary must take;
- vii. any deadlines for action by the member or the member's survivor/beneficiary;
- viii. the manner in which assets will be liquidated or distributed;
- ix. any default options that may be applied if no action is taken;
- x. the impact that the termination of plan membership will have on each investment option; and
- xi. any tax consequences, market value adjustments, early withdrawal penalties or any other fees.

Certain types of CAPs provide members who have terminated active participation in the CAP with the option to receive retirement income directly from the CAP. Where this option is available, the CAP sponsor should provide the member with the following information, in addition to the information listed above, as applicable:

- i. explanation of the nature of each available option to receive retirement income from the CAP;
- ii. explanation of the investments associated with each retirement income option;
- iii. explanation of the type of ongoing communication that will be provided with each option; and
- iv. explanation of the fees and expenses associated with any retirement income option.

SECTION 8: COMMUNICATION TO CAP MEMBERS ON TERMINATION OF A CAP

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

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: 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.