

## WHAT'S NEW

CAPSA welcomed the following new members since the last communique:

- Chris Merriman, Acting Assistant Deputy Minister of Financial Sector Regulation and Policy and Superintendent of Insurance, Alberta Treasury Board and Finance
- Joy Tcheng, Acting Vice President, Supervision, British Columbia Financial Services Authority
- Norman Snelgrove, Superintendent of Pensions, Digital Government and Service, Newfoundland and Labrador
- Isabelle Lepage, Managing Director, Legislative Affairs Division, Regulatory Affairs Directorate, Office of the Superintendent of Financial Institutions
- Jonathan Bolduc, General Director, Supplemental Pension Plans, Retraite Québec

CAPSA held its Summer Member Meeting on June 26, 2024. Members approved CAPSA Guideline No. 3 – Guideline for Capital Accumulation Plans (CAP Guideline) and Guideline No. 10 – Guideline for Risk Management for Plan Administrators (Risk Management Guideline).

## CAP AND RISK MANAGEMENT GUIDELINE

Industry input was instrumental to the development of both the CAP Guideline and the Risk Management Guideline. During the development process, the committees leading the review received feedback from their respective Industry Working Groups. CAPSA also received comments from over 40 industry stakeholders through stakeholder consultations.

Both the CAP Guideline and the Risk Management Guideline were released and became effective on September 9, 2024. The guidelines reflect CAPSA Members' views of leading practice. Pension plans of all sizes should be able to determine how best to implement the guidelines effective September 9, 2024, taking into consideration the legal requirements, size, and sophistication of the plan. Where Information Technology (IT) system changes or process changes are needed to support the guidelines, they should be implemented by January 1, 2026.

A short description of each guideline is below.

## CAP Guideline

The CAPSA 2024 CAP Guideline is a refresh of the 2004 CAP Guideline issued by the Joint Forum of Financial Market Regulators. It sets out expectations of regulators regarding the operation of any CAP - regardless of the regulatory regime. The refreshed Guideline is the result of collaboration between representatives of CAPSA, the Canadian Securities Administrators (CSA) and the Canadian Council of Insurance Regulators (CCIR). All three organizations had representatives who participated in the CAPSA CAP Committee since its inception in 2019. CAPSA members appreciate the expertise, insights and perspectives the CSA and CCIR representatives provided, as they were instrumental in keeping a broad perspective in mind while modernizing the Guideline. The CAP Guideline can be found on CAPSA's website.

## Risk Management Guideline

The Risk Management Guideline is the consolidated guidance of risk management practices in pension plan administration. The guidance emphasizes the importance of robust risk management practices in pension plan administration to safeguard the interests of beneficiaries and ensure the long-term sustainability of pension funds.

In developing the Risk Management Guideline, the CAPSA Risk Management Committee incorporated feedback received from CAPSA consultations, as well as from consultations on risk conducted by the Office of the Superintendent of Financial Institutions (OSFI) and BC Financial Services Authority (BCFSA). In September 2023, CAPSA also held its first webinar to present the draft Risk Management Guideline. Over 700 stakeholders attended, leading to CAPSA receiving 25 consultation responses that supported the development of the final guideline.

CAPSA's Risk Management Guideline combines the following risk areas:

- cyber security risk;
- environmental, social and governance (ESG);
- leverage and the effective management of associated risks;
- investment risk; and
- third-party risk;

The Guideline defines a comprehensive risk management framework as an essential component for effective pension plan governance. The primary objectives are to identify, evaluate, manage and monitor risks that could affect the financial health of the plan. The Guideline outlines the

roles and responsibilities of the board of trustees, plan sponsors and service providers in implementing and overseeing the risk management framework. Given the multi-jurisdictional nature of pension regulation in Canada, it is essential to discuss how these guidelines align with existing provincial and federal regulations. The Risk Management Guideline can be found on CAPSA's website.

## STRATEGIC PRIORITIES

With the publication of the CAP Guideline and Risk Management Guideline, CAPSA has successfully fulfilled two major deliverables identified in our 2023-2026 Strategic Plan.

Moving forward, CAPSA will continue to deliver on its mandate of facilitating an efficient and effective pension regulatory system in Canada, and on its vision of harmonized regulatory approaches to the supervision of pension plans across Canada through its quarterly meetings, participation in Joint Forum, and the ongoing work of its committees. CAPSA will also continue to advance the other strategic initiatives from the 2023-2026 Strategic Plan, two of which are highlighted below.

### Variable Payment Life Annuities (VPLA) Policy Committee

The VPLA Policy Committee developed a legislative framework to support member jurisdictions as they develop VPLA legislation. The framework is divided into two areas - components where the Committee members agreed to recommend harmonized rules to their government, and components where harmonized rules will not be recommended. All critical areas which are necessary for a multi-jurisdictional VPLA to operate have been recommended for harmonization.

### Decumulation Committee

As more Canadians retire, the issue of decumulation - the practice of accessing funds from retirement vehicles to provide retirement income - continues to draw attention. The Decumulation Committee is currently conducting research and engaging industry stakeholders to better understand the decumulation issues and put forth a recommendation to CAPSA members.

## UPCOMING MEETING

The next CAPSA Member Meeting is October 7, 2024, in Edmonton, Alberta.

## CONTACT US

Questions regarding this Communiqué or general inquiries regarding the Canadian Association of Pension Supervisory Authorities should be sent to the CAPSA Secretariat.

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