



September 25, 2018

CAPSA Secretariat
16th Floor, 5160 Yonge Street
Toronto ON M2N 6L9

To Whom It May Concern:

RE: Consultation on CAPSA Guideline No. 8- Defined Contribution Pension Plan Guideline

Thank you for the extended opportunity to participate in this consultation.

The Association of Canadian Pension Management (ACPM) is the leading advocate for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover more than 3 million plan members.

We have ordered our comments to follow the order of the draft guideline and not by importance:

1. We are concerned with respect to the requirements relating to “decision-making tools” and requiring plan administrators to provide annual estimates of member account values and expected benefits that may result from that value. We do not think that CAPSA should go beyond making a suggestion that such tools and estimates may be useful or CAPSA should expressly state that it is prudent for a plan administrator to rely on the tools and estimates provided by the plan fund holder. Tools and estimates are both costly and carry risk for the plan administrator and we would not want to discourage the establishment of CAPs. As fund holders deal with large numbers of CAPs, it would be more efficient to rely on their tools and estimates as they will have the resources, and the market incentive, to create superior tools and estimates.
2. There is a great deal of discussion of CAP fees and we acknowledge that fees are an important component of CAPs, however, there are a number of portions of the guideline dealing with fees which could benefit from clarification: a) What does it mean to consider the impact of fees on returns, i.e., what does the plan administrator need to tell the member beyond the return and the fee relevant to that return?; b) What are the references to indirect fees intended to mean in the context of a CAP?; c) What does the “nature” of fees means?
3. Can CAPSA provide additional guidance as to what it means with respect to its comments that member information must be “in a format that assists in readability and comprehension”?



4. In 2.3 what is CAPSA meaning when it refers to “ensuring that it always has a plan administrator”?
5. In our experience it is not typical that a Third-party service provider “provides any advice within their area of expertise which may be requested by the plan administrator” unless that is part of the contract between the plan administrator and the third-party service provider such that section 2.4 should be amended.
6. We think that in 2.6) Responsibilities of the Members, it should indicate that members are responsible to use the tools provided and also that members at least consider obtaining qualified financial planning advice regarding withdrawal amounts from their variable benefits and should carefully review the plan related information they receive from the plan administrator and complete, on a timely basis, their elections related to their annual withdrawal amount.
7. It would be useful for CAPSA to provide some general information in a number of areas that requires action from plan sponsors or administrators. It would seem possible for CAPSA to do so and it would reduce the burden on the sponsors and hopefully promote more CAP coverage:
 - a) What is “sufficient detail on the investment options”?
 - b) Assumptions used to estimate the value at retirement or an expected periodic return.
 - c) The s.4.1 information regarding retirement products.
 - d) Information regarding unlocking options.
 - e) Broad information about changes in risk tolerance when entering the decumulation stage.
 - f) Broad information around longevity risks and investment risk and the impact those risks could have on the members retirement income.
 - g) Income projection tool - unless the suggestion in #2 above is accepted.
 - h) Information on sustainable withdrawal rates.
8. Plan administrators should not be responsible for disclosing fees post-retirement. Instead, fund holders should be clear about those fees.

Thank you for the consideration and we look forward to any clarity that can be provided in respect to the queries in our response. Please feel free to contact us if we can be of further assistance.

Sincerely,

Ric Marrero
Chief Executive Officer
ACPM