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## RE: CAPSA Consultation on Guidelines No. 3 – Guidelines for Capital Accumulation Plans

The Benefits Alliance (BA) is a national organization of 30 independent member firms comprising 240 Advisors and 500 staff employed by those firms. Collectively we administer over 1,500 group retirement plans with over \$3.5 Billion in retirement plan assets.

We are highly selective in who qualifies to join BA, and prospective firms are peer nominated. Given the important role that Group Advisors play in the lives of all Canadians from coast to coast only the best Group Advisors who are committed to the highest levels of professionalism are invited into our membership.

BA is an industry advocate promoting professionalism and excellence in client service, and from a policy perspective, we want to ensure that all Canadians receive the best advice available. Our mission is to represent the best interests of our clients and their employees. We are committed to continuing education and professional development to ensure our members provide the highest standards of service and excellence.

We welcome the opportunity to provide comments on the CAPSA Guidelines No. 3 – Guidelines for Capital Accumulation Plans.

### *1. Definition of Service Providers – Section 1.2.4*

To ensure accountability for all service providers and to provide more clarity for CAP Sponsors as to who is deemed to be a provider, we would like to see the definition of “CAP Service Provider” include a list of potential providers in order make it clear to all CAP Sponsors, small and large, who is accountable under the Guidelines. For example:

- Insurance company, Bank or Credit Union
- Trust Company
- Investment / Mutual Fund Company
- Alternative providers, Robo, or FinTech solution
- Consultant, Group Advisor, Insurance Broker

We would also like to see any employee savings programs which may offer an option not yet endorsed by a credible governing body be explicitly stated as not in-line with CAP guidelines, e.g., Cryptocurrency.



## 2. *Selecting Investment Funds – Section 2.2.2*

- [Section 2.2.1 Selecting Investment Options](#)
- [Section 2.2.2 Selecting Investment Funds](#)

The Guidelines suggest that CAP Sponsors “should consider the impact that having a “large number of investment options” may make member decision making more complex. In addition, the factors mentioned in these sections are difficult for many CAP Sponsors, especially those small to mid range, to meet as they do not themselves deal directly with the investment managers. In many cases it is through a Service Providers who has access to this information. We feel the Guidelines should provide more clarity around what constitutes a “large number of options” and also reflect that the access to investment manager information is not equal among all CAP Sponsors within the industry.

## 3. *Bundling of Services*

- [Section 1.3.1 Responsibility of CAP Sponsor](#)
- [Section 1.3.2 Responsibility of CAP Service Provider](#)
- [Section 2.2.1 Selecting Investment Options](#)
- [Section 2.2.4 Policy Regarding Failure to Make Investment Choice](#)
- [Section 5.2.2 Report on Material Changes](#)
- [6.2 Reviewing Service Providers](#)

There is an imbalance in knowledge amongst CAP Sponsors of varying degrees in Canada. With most plans being sponsored by small to mid-sized organizations where CAP Plan oversight is one of many hats they wear today, we feel the CAP Guidelines should acknowledge and reflect that this discrepancy exists, especially when it comes to outlining the responsibilities of CAP Service Providers. Many providers bundle services and fees making it difficult at times for even the most experienced CAP Sponsors to evaluate the impact of their decisions on their members.

We feel that for CAP sponsors to best meet the criteria of selection and oversight, there needs to be more transparency from Service Providers with respect to conflicts of interest and the bundling of their services. Some recordkeepers and consulting firms have created their own in-house investment fund options and/or have equity positions in the investment solutions that they are recommending to CAP Sponsors.

To ensure more disclosure with respect to independent oversight and conflicts of interest, we would like to see more information within the Guidelines with respect to what CAP Sponsors should expect from providers, especially in areas around fee disclosure and conflicts of interest to limit any perceived bias. Service Providers should be encouraged to be more forthcoming with disclosure around conflicts of interest (perceived or real), especially when it comes to the area of bundling administration and investment management.

For example, if a CAP Sponsor is making available a recordkeepers in-house funds that are being recommended by that recordkeeper, what steps have the service provider taken to ensure transparency and disclosure around the recommendation?

## 4. *Advice – Section 1.3.3 Responsibility of CAP Member*

The reference to members obtaining investment advice in addition to using the tools available has been removed from the CAP members responsibility section. To support that responsibility, we feel that CAP Sponsors should include within the investment information they are providing to CAP Members, if advice and/or planning services are part of the services that the sponsor is offering and if not, disclose such to ensure that CAP Members are clearly aware of their responsibility. In addition, regardless of whether the service is offered or not by the CAP Sponsor, we feel that it should be clearly stated that it is the CAP Members responsibility, not the CAP Sponsors, to seek it out in this section with a link to section 3.1.2 Outlining the Rights and Responsibilities of CAP Members.

In many cases, the topic is not mentioned and there is an implied assumption that the insurance company is there to offer advice. More clarity within the education section of the guidelines will help to address the issue.

## ***5. Use of Plan Language – Section 3.2.1 Investment Funds***

The guidelines should reference the need to use “simple” language when communicating with plan members. Most plan members are not investment experts. There is reference to “plain” language regarding fees, but nowhere else. It should be an overriding theme throughout the document.

## ***6. Fees – 6.2 Reviewing Fees and Expenses***

CAP Guidelines should provide standards for the disclosure of the costs of products and services to the CAP Sponsor and CAP Member regardless of the distribution channel. The Guidelines should promote a level competitive environment where CAP Sponsors are able to make an informed decision regarding products, services, supplier, and distribution channel with a clear understanding of the costs and corresponding value proposition. The CAP Sponsors and CAP Members best interests must be paramount.

We recommend fee disclosure from Service Providers must be comprehensive and focus on all stakeholders. For CAP Sponsors to make informed decisions on behalf of CAP Members, transparency of services and costs must be all inclusive. Fee disclosure must focus on the overall cost to the CAP Sponsor and the CAP Member, not only a portion of the costs, or the costs associated with just one distribution channel. The current wording in the Guideline implies that all CAP Sponsors understand the cost of the products, services, and channels which is not correct.

Related to our comments around bundling of services, CAP Service providers should be encouraged to disclose what portion of their fees are going towards administration, investment management and consulting etc.... This additional level of information would provide more transparency to all CAP Sponsors as they strive to assess value for money.

We also recommend removing the reference in section 6.2 iv. which implies looking for opportunities to leverage possible economies of scale. The implication that CAP Sponsors should look for scale by joining larger plans is not always better for the CAP Sponsor and/or the CAP Members in the end and in our opinion has no place in these guidelines.

## ***7. Decumulation – 7.1.1 Communicating to CAP Members on Termination***

Where Service Providers are encouraging CAP Members to remain with them post CAP Membership, option forms should describe how the fees are changing because of their change in membership and what to expect differently from a service perspective, especially when being presented with a default rollover option.

## ***8. Diversity, Equity & Inclusion***

According to Stats Canada, the total visible minority population in Canada has increased from 13.4% in 2001 to 22.3% in 2016. Considering the policies behind most of the Canadian retirement plans in place today have been in existence for well over 30 years, we feel it is time that the industry begins to take steps to dismantle barriers within the industry to move towards more equitable, fairer, and inclusive practices. Being a national inter-jurisdictional association, we feel that CAPSA is in great position to take a lead on behalf of all stakeholders to embed the pillars of inclusion into the industry best practices for all service providers to adhere to.



Most retirement plans in Canada were designed with a one-size-fits-all approach when the demographics of the country were very different from today. Some areas where plans could become more progressive:

- Inclusiveness for part-time employees
- Encourage the rethinking the balance of employee and employer contributions, again to better support those in the lower wage ranges
- Encourage the industry to provide more cost-effective flexible solutions within plan designs

Many of us have spent our careers in the pension industry; we can draw upon this lifetime of work experience to frame our references when reviewing policy guidelines such as this. As subject matter experts, no matter what our thinking may be, unconscious bias exists in all of us and we must collectively draw upon our own diversity and lived experiences, along with outside perspectives, that help shape progressive changes in our industry. If we, as leaders within the industry, are not open to listening to outside perspectives when it comes to the future of retirement plans in Canada, we cannot expect others to do so, either. If we aren't comfortable leading the change, consider how uncomfortable it will be for any visible minority and/or marginalized community to do so. We believe that CAPSA Guidelines should be recognizing the DEI issue in their requirements for plan sponsors to consider.

Thank you for the opportunity to provide our thoughts and comments on the guidelines and we appreciate the time you have taken to review our submission. Should you have any questions on the above or wish to discuss any other aspect of the guidelines, please feel free to contact myself or Paul Webber ([p.webber@greenbenefitsgroup.ca](mailto:p.webber@greenbenefitsgroup.ca)).

Regards,

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