



Understanding the Significance of the Updated Capital Accumulation Plan Guidelines

A Comprehensive Guide for Plan Sponsors



About Us

Benefits Alliance is Canada's leading organization of independent benefits advisory firms. As an industry-leading association, Benefits Alliance focuses on education, collaboration and advocacy by providing our members with tools, resources, and unique proprietary products and services that meet and exceed client expectations. Our members, who are employee benefit and retirement plan specialists, work with more than 10,000 employer plan sponsors who collectively have over a million Canadians enrolled in their plans. Our members are collectively responsible for more than \$1.4 billion in annual benefit plan premiums and over \$3.5 billion in retirement plan assets.

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

Benefits Alliance 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.



Introduction

The **Capital Accumulation Plan (CAP) Guidelines**, a crucial tool for sponsors, administrators, advisors/consultants and service providers in managing CAPs, have undergone a significant update in September 2024. This update, released by the Canadian Association of Pension Supervisory Authorities (CAPSA), replaces the original 2004 version and is a key development in the industry.

Sponsors must understand that CAPSA’s guidelines are not just industry best practices but also the standard by which regulatory bodies assess the prudent management of CAPs. Failure to adhere to these guidelines could lead to **reputational risks, increased regulatory scrutiny, and potential liabilities** in the event of poor outcomes for plan members.

Purpose of the Guidelines

The primary purpose of the CAP Guidelines is to equip sponsors and administrators with the necessary tools, information, and resources to empower CAP members to make informed decisions about their retirement savings. These guidelines also ensure that the plan’s design, administration, and investment options align with **industry best practices**, providing a **structured governance framework** that balances both member outcomes and regulatory expectations.

By adhering to these guidelines, plan sponsors demonstrate due diligence in managing CAPs, reducing risks, and promoting transparency and member engagement.

Key Areas of Change: 2004 vs. 2024 Guidelines

The **2024 updates** align the CAP Guidelines with the evolving financial landscape, expanding the scope of plans covered, refining sponsors’ responsibilities, and emphasizing governance, transparency, and risk management. These changes are designed to enhance the management of CAPs and improve member outcomes.

Key Area	2004 Guidelines	2024 Guidelines
Scope of Plans Covered	Primarily focused on traditional CAPs like DCPPs and RRSPs.	Expanded to include LIRAs, RRIFs, PRPPs, VRSPs, TFSAAs, and First Home Savings Accounts (FHSAs) .
Fiduciary Responsibility	No mention of fiduciary responsibilities, implies a responsibility to members.	Re-states a responsibility to members, and adds that some sponsors may have fiduciary responsibilities .
Governance Framework	Less detailed guidance on governance responsibilities.	Greater emphasis on the need for a structured governance framework , including risk management and conflict-of-interest policies .



Key Area	2004 Guidelines	2024 Guidelines
Service Provider Oversight	General mention of service provider responsibilities.	Expanded details on service provider compliance , including investment advice transparency and disclosure of any additional monetary benefits.
Automatic Features	No specific guidance.	Introduction of automatic enrollment, automatic contribution escalation, and default investment options with advance notice requirements.
Member Education	Focused on providing basic information.	Enhanced focus on member education strategies, addressing financial literacy and the need for tailored information for different member groups.
Investment Options	General guidance on selecting investment options.	Detailed considerations for investment option selection based on member behaviors, demographics, risk profiles, and fees. Includes guidance on default investment options .
Fees and Expenses	Basic guidance on disclosing fees.	Detailed requirements for transparent fee disclosure , including administrative, management, and transaction fees with an emphasis on long-term impacts on members' savings.
Member Responsibilities	Brief mention of members' role in decision-making.	Expanded list of member responsibilities , encouraging the use of qualified investment advisors and the tools provided by sponsors.
Record-Keeping and Communications	General guidance on member communication.	Enhanced expectations for member communication, including annual statements, performance reports, and material change notifications .

Detailed Breakdown of Key Changes:

1. Expanded Scope of CAPs

The definition of a **Capital Accumulation Plan** has been broadened to include several new plan types, such as **Locked-in Retirement Accounts (LIRAs)**, **First Home Savings Accounts (FHSAs)**, and others. This means sponsors of a wider variety of plans are now subject to the guidelines, including employers who may not have been covered under the 2004 version. Financial institutions and trustee boards overseeing CAPs must now comply as well.

2. Governance Framework and Fiduciary Responsibilities

The updated guidelines strongly emphasize the importance of **establishing a governance framework** appropriate to the size and complexity of the CAP. The guidelines call for implementing a **risk management framework**, a **conflict-of-interest policy**, and a process for **regularly reviewing governance practices**. Additionally, the language around fiduciary responsibilities has added, stating that CAP sponsors **may** have fiduciary responsibilities in certain cases, depending on the type of CAP and its structure.

3. Service Providers and Fee Transparency

Service providers' roles have become more structured, with clear requirements for compliance with the guidelines and relevant laws. Service providers must also disclose any **monetary benefits** they receive beyond standard fees, especially if these could influence the decisions of sponsors or members. This transparency is essential to avoid conflicts of interest and maintain trust between plan sponsors, service providers, and members.

4. Introduction of Automatic Features

For the first time, CAPSA has introduced guidance around **automatic features** within CAPs, such as **automatic enrollment**, **automatic contribution escalation**, and **default investment options**. These features are designed to improve **member participation and investment outcomes**. Sponsors must provide **reasonable advance notice** of changes that impact members.

5. Enhanced Focus on Member Education and Engagement

Recognizing the varying levels of **financial literacy** among plan members, the 2024 guidelines stress the crucial role of sponsors in promoting member education and engagement. This includes clear communication of investment options, the risks associated with each, and the impact of fees on long-term outcomes. Sponsors are encouraged to tailor educational materials based on different groups of members, such as those approaching retirement or those just beginning to save. By taking on this responsibility, sponsors can ensure that their members are making well-informed decisions, thereby enhancing their financial security and retirement readiness.

6. Fee and Expense Transparency

The 2024 guidelines include much more detailed guidance on **fee disclosure**. Sponsors are expected to communicate the types of fees members clearly may incur (e.g., transaction fees and investment management fees) and how these fees can impact **long-term savings and retirement outcomes**. Transparency around fees is now a focal point, as it allows members to make more informed decisions and reduces the likelihood of hidden costs.



7. Member Responsibilities

The updated guidelines clarify the **responsibilities of CAP members**, stressing that they must take an active role in managing their accounts. Members are encouraged to seek **professional investment advice** and use the **decision-making tools** provided by sponsors. Clear communication of these responsibilities will help ensure members are making well-informed decisions.

Next Steps for Plan Sponsors

With these changes in mind, here are the **next steps** plan sponsors should take to align with the 2024 CAP Guidelines:

1. Conduct a Governance Review

- Establish or review your **governance framework** and ensure it is proportional to the size and complexity of your CAP.
- Implement a formal **risk management process** that includes regular assessments of plan risks, including cybersecurity, investment risks, and environmental, social, and governance (ESG) factors.

2. Evaluate Service Provider Agreements

- Review and, if necessary, renegotiate agreements with **service providers** to ensure compliance with the guidelines and legal requirements.
- Ensure that service providers disclose all **fees and monetary benefits** clearly and transparently.

3. Enhance Member Education and Communication

- Update **member communication strategies** to meet the expanded guidelines. This includes providing **personalized education materials**, annual **performance statements**, and transparent explanations of **fees and investment options**.
- Ensure members know their **responsibilities** and encourage them to seek **qualified advice** where necessary.

4. Review and Adjust Investment Options

- Assess whether your CAP's **investment options** align with your members' demographics and needs.
- Implement or review **default investment options** and ensure members are given advance notice of any automatic features that could impact their accounts.

5. Prepare for the 2026 Deadline

- Identify any **technology or process changes** the plan or service providers need to comply with the guidelines, particularly about **record-keeping, communication, and automatic features**. Ensure that these changes are implemented by **January 1, 2026**.



Conclusion

The 2024 updates to CAPSA's guidelines represent a shift in expectations for plan sponsors. By focusing on **governance, transparency, and member outcomes**, the guidelines aim to modernize the management of CAPs in an increasingly complex financial environment. By proactively addressing these changes, plan sponsors can ensure **compliance, reduce risks**, and continue to support their members' retirement and savings goals.

While many industry service providers will require time to determine the impact on their offering and make changes, it's worth getting ahead of the curve and clearly understanding what gaps need to be closed and by whom. Your plan advisor is ready to help you review your plan(s) as part of your annual review process. In the meantime, reach out to them if you have questions.

Signed,

Carolyn Eagan

President

carolyne.eagan@benefitsalliance.ca

Graham Young

Board Chair

gyoung@capcorp.ca

Todd Stephen

Advocacy Chair

tstephen@selectpath.ca

