



Understanding the modernized CAP Guideline

2024 changes and their potential impact on building and operating modern, outcomes-focused capital accumulation plans

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Summary

We examine the newly updated guideline for capital accumulation plans (CAP Guideline) issued by the Canadian Association of Pension Supervisory Authorities (CAPSA).

We'll start by providing context for how and why the CAP Guideline came to be. We'll then provide an overview of the most notable changes in the modernized guideline, which reflect new expectations from CAPSA for how to operate a CAP, and we'll offer our perspective on the likely impacts.

While this guideline applies to all CAPs, CAPSA acknowledges that its application will vary depending on the nature (size, complexity, and other characteristics) of the CAP. Our aim is therefore to identify what CAP sponsors and administrators should consider as they work to apply the new CAP Guideline.

Key takeaways

- Since 2004, the CAP Guideline has provided a streamlined framework for setting up and managing successful CAPs in Canada.
- The CAP Guideline was modernized in 2024 in response to changes in legislation, regulation, and the retirement landscape over the years, expanding and clarifying the guideline and introducing new elements. A significant portion of the changes reflects best practices that have evolved since 2004.
- The updated CAP Guideline provides CAP sponsors with a more comprehensive tool kit to help them define the purpose of their CAP, make decisions based on intended outcomes, and establish a robust governance framework.
- The focus of member education has shifted beyond enrolment to an ongoing strategy designed to improve decision-making and outcomes. There's also an emphasis on periodic reviews of the education strategy to ensure its effectiveness.
- Likewise, the focus of advice has shifted from investment to ongoing financial planning advice to help decision-making and outcomes.
- CAP sponsors are expected to apply the guideline as soon as possible. Any system or process changes needed to support the guideline should be implemented by January 1, 2026. 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.



What's a CAP?

A capital accumulation plan (CAP) is defined in the guideline as a tax-assisted investment or savings plan or program that allows its members to make decisions among two or more investment options selected by the CAP sponsor.

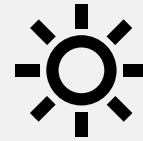
What is the CAP Guideline?

The CAP Guideline provides a consistent set of rules for CAPs across the country, regardless of plan type or jurisdiction, to address the challenge of regulating CAPs that are governed by different federal and provincial laws.

A brief history

The CAP Guideline was first introduced in 2004 by the Joint Forum of Financial Market Regulators (Joint Forum), which included the participation of CAPSA, a national association made up of all provincial and federal legislators that oversee pension plans. CAPSA developed the CAP Guideline and issued “CAPSA Guideline No. 3: Guideline for Capital Accumulation Plans.”

In 2024, CAPSA published the revised Guideline No. 3 to address changes that have occurred in the group retirement landscape over the previous 20 years, such as the overall growth in the industry, the introduction of new investment options, and the rise of digital channels and features that make it easier to access, administer, manage, and interact with retirement and savings plans. It also incorporates significant portions of “CAPSA Guideline No. 4: Pension Plan Governance,” which was published in 2016.



CAP Guideline basics

- Developed by CAPSA, which publishes guidelines for the standards it expects plan sponsors and their service providers to meet when operating a capital accumulation plan
- Provides a useful framework of best practices for CAP fiduciaries and service providers to follow across Canada
- It reflects the expectations from CAP regulators regarding standards for operating a CAP
- Although it's not legislation, courts are expected to look at this guideline as the generally accepted standard of conduct

2024 CAP Guideline: overview, changes, and impact

On September 9, 2024, CAPSA issued the updated CAP Guideline. The updated guideline reflects the significant growth and changes in the industry since 2004, incorporating new best practices; clarifying and expanding on roles, responsibilities, and definitions; and introducing some new elements.

Plan sponsors and administrators have until January 1, 2026, to make any necessary changes to systems and processes to support the new guideline. Here, we examine the updated guideline in detail and its potential impacts.

The 2024 CAP Guideline replaces the 2004 guideline

Plans have until January 1, 2026, to make changes to systems and processes to support the new guideline.

Section 1

Intent, definitions, and responsibilities

This section states the aim of the CAP Guideline to reflect regulators’ expectations for operating a CAP and to improve industry best practices. It outlines and clarifies the regulators’ views on the responsibilities of CAP sponsors, administrators, service providers, and members, as well as industry best practices in the maintenance and administration of a CAP.

What’s changed	Manulife perspective on Section 1
<p>The updated CAP Guideline expands on both definitions and responsibilities while CAPSA also acknowledges that the application of this guideline will vary depending on the nature (size, complexity, and other characteristics) of the CAP.¹</p>	<ul style="list-style-type: none"> • The expanded details compared with the 2004 version are designed to encourage increased adherence to the guideline—a practice that’s strongly recommended. • CAPSA’s acknowledgment regarding the application of the guideline can be interpreted as recognition that not all CAPs are the same. • There’s a reiteration that the guideline doesn’t replace or modify any legal requirements for CAPs. This continues to be an important consideration in the application of the guideline.
<p>Expanded section: definitions²</p> <ul style="list-style-type: none"> • CAP—The updated guideline provides a broader definition of a CAP, expanding the list to reflect new tax types, such as the tax-free savings account (TFSA), pooled registered pension plan (PRPP), Voluntary Retirement Savings Plan (VRSP), Registered Education Savings Plan (RESP), and First Home Savings Account (FHSA), as well as income plans that may be subject to the guideline, such as the Registered Retirement Income Fund (RRIF) and the Life Income Fund (LIF). • CAP sponsor—There’s a more comprehensive list of entities that may establish a CAP with a clarification of who may be a sponsor for each type of plan. • Service providers—An expanded definition of service providers includes, for example, recordkeepers, investment managers, and investment advisors. • CAP member—Self-employed individuals and their surviving spouses or common-law partners have been added to the definition for CAP members. • Investment options—A definition of investment options, which wasn’t in the 2004 guideline, includes a broader range of investments in addition to investment funds. 	<p>Reflecting changes in the industry, the 2024 guideline has expanded definitions to meet the reality of the industry and market and to match today’s context. Examples are the addition of self-employed individuals in the definition of members, due in part to the introduction of the PRPP and VRSP and the inclusion of new plan tax types.</p>

All footnotes referencing sections of the updated: “CAPSA Guideline No. 3: Guidelines for Capital Accumulation Plans,” are by the section number (e.g., S11.1).
1 S1. **2** S1.2.

What's changed	Manulife perspective on Section 1
<p>Expanded section: responsibilities³</p> <p>CAP sponsors</p> <p>The new guideline adds a few factors to sponsors' responsibilities, clarifies their responsibilities when engaging service providers, and covers new tasks such as whether to offer automatic features. It also states that, in some instances, sponsors' responsibilities may include fiduciary responsibilities to CAP members.</p> <p>The new guideline states that even where sponsors engage service providers to carry out certain tasks or functions, sponsors retain ultimate responsibility for overseeing their CAP and should be continuously involved in fostering the achievement of member outcomes.</p> <p>Service providers</p> <p>The guideline emphasizes that service providers and sponsors should clearly indicate and document what tasks and functions the provider will carry out. Service providers should follow the guideline and comply with applicable laws and commitments in performing these tasks and functions. Service providers that interact with members should inform them when they're providing investment advice. If service providers stand to monetarily benefit from a decision made by either the sponsor or members beyond the fees otherwise disclosed, they should inform the sponsor or member.</p> <p>CAP members</p> <p>The guideline highlights the expectation of members to understand all aspects of their participation in the CAP and fulfill their key responsibilities. These include understanding the plan; making decisions regarding their contributions, investments, and the use of automatic or default features; and using the sponsor's educational resources.</p>	<ul style="list-style-type: none"> • Sponsors will need to fully understand the extent of their responsibility to CAP members, as this could vary with each CAP. They'll need to determine the key features of their CAP and ensure how to fulfill the related tasks or functions. • An important clarification is that, while the 2004 guideline suggested that sponsors could delegate certain CAP responsibilities to service providers, the new guideline makes clear that sponsors retain ultimate responsibility for overseeing their CAP. • The expanded details regarding service providers' responsibilities will affect how sponsors will select and oversee providers, requiring strong criteria for selection and measurement. • In adding the consideration of automatic features to sponsors' tasks, the guideline isn't necessarily suggesting their use; rather, it's reflecting the continued rise of these features. • The requirement of service providers to inform sponsors or members if the provider will monetarily benefit from a decision made by either the sponsor or members is an important addition. Some examples of where a monetary benefit might occur could include: <ul style="list-style-type: none"> ◦ A service provider whose firm offers investment options is hired by the sponsor to help select the investment lineup for the plan. ◦ A service provider hired by the sponsor is paid commissions or rewards by the recordkeeper. <p>While the guideline doesn't provide further direction on this requirement, the objective is to provide a level of transparency that would allow the sponsor or member to make an informed decision.</p> • The guideline highlighting members' level of understanding of their plan could mean more diligence for sponsors to provide information through easy-to-understand resources and a strong member education program. These elements will be crucial for success.

Section 2

Setting up a CAP

This section covers general guidelines for setting up a CAP, selecting investment options, and maintaining records. For 2024, it's been expanded to include the establishment of a governance framework and guidelines for offering automatic features.

What's changed	Manulife perspective on Section 2
<p>Expanded section: defining the purpose of a CAP⁴</p> <p>In defining the purpose of a CAP, the new guideline states that the sponsor should clearly document it in terms of its intended outcome for members. The guideline also emphasizes the primary purpose of a defined contribution pension plan as providing lifetime retirement income.</p>	<p>The emphasis on outcomes for members in defining the purpose of a CAP reflects a broader focus that could include providing an income at retirement, in addition to other outcomes.</p> <p>Sponsors should consider this focus in their review processes to ensure plan documentation, materials, and education strategies are aligned with the plan's purpose.</p>
<p>New section: setting up a governance framework⁵</p> <p>The sponsor should create, document, and regularly review rules and processes for operating the plan. The governance framework should reflect the size, complexity, and other characteristics of both the plan and the sponsor.</p> <p>The governance framework should outline the roles, responsibilities, and accountabilities of all parties involved in the plan's governance. It should incorporate a communication process for addressing member complaints and a code of conduct that includes a policy to manage conflicts of interest. Additionally, it should establish frameworks for risk management, regular reviews of service provider performance, and regular reviews of the governance process.</p>	<ul style="list-style-type: none"> • While the notion of setting up a plan governance framework is documented for pension plans under Guideline No. 4, it's now being extended to all CAPs with the changes made to this guideline. • The guideline recognizes that the appropriate governance framework may vary according to the size and complexity of both the CAP and the CAP sponsor. This suggests that the governance framework could be more streamlined for some simpler and smaller CAPs and sponsors and more elaborate for larger, more complex ones.
<p>New section: automatic features⁶</p> <p>The sponsor can consider adding automatic features to the plan to help increase participation, encourage early and higher contributions, and promote suitable investment choices, which may ultimately lead to more positive outcomes for members.</p> <p>Examples may include enrolment, default investment options, automatic rebalancing, escalation of member contributions, default electronic communication, and default elections at termination and retirement. Automatic features should be disclosed to members when enrolling in, or as an amendment to, the plan, with the ability to opt out if applicable.</p>	<p>For sponsors considering adopting automatic features to help improve member participation and saving rates, the guideline provides a framework for their implementation and disclosure to members, including when to communicate these features and providing members with the ability to opt out. It should be noted that use of automatic features is subject to applicable laws.</p>

⁴ S2.1.1. ⁵ S2.1.2. ⁶ S2.1.3.

What's changed	Manulife perspective on Section 2
<p>Expanded sections: using and selecting service providers⁷</p> <p>The guideline expands the criteria for selecting service providers to carry out certain functions or tasks, adding factors such as potential conflicts of interest, reputation, professional qualifications or designations, historical and expected stability of the team, controls in relation to members' personal data, competitiveness and reasonableness of the cost of services, and access to information for meeting member disclosure requirements.</p>	<p>The expanded section on the selection of service providers reflects current best practices, but it also further clarifies and emphasizes sponsors' ultimate responsibility when engaging service providers.</p>
<p>Expanded sections: selecting investment options and funds⁸</p> <p>The guideline emphasizes additional factors for sponsors to consider when selecting investment options and funds, including the CAP's intended member outcomes (in addition to the purpose of the CAP), risk/return profile associated with the investment options (the previous guideline only referred to the level of risk), and the competitiveness and reasonability of fees in relation to their ability to provide value for members.</p> <p>The guideline also cautions about the effect that the number of investment options could have on the sponsor's ability to oversee them and on the complexity of decision-making for the sponsor and members.</p>	<ul style="list-style-type: none"> • As is the case with defining the purpose of the CAP, the concept of intended member outcomes is specified as a consideration when it comes to the selection of investments. • In the selection of investment options and funds, investment managers are to be considered service providers and be subject to the same criteria and documentation of tasks and functions. • The reasonability of fees for investment options, when considered in the context of providing value to members, implies that it's important to look beyond just the risk and return aspect; in some cases, higher fees may bring added value.
<p>Modified section: transfers among investment options⁹</p> <p>Transfers by members between investment options now require disclosure of any applicable administrative costs in contracts and communication to members before the cost is incurred, when possible.</p>	<p>Administrative costs for transfers between investment options are uncommon in the industry, except for fees associated with excessive trading. In cases in which such costs are to be charged to the member, the guideline now clarifies how and when they're to be disclosed.</p>
<p>Expanded section: failure to make an investment choice¹⁰</p> <p>For members who don't make an investment choice, the guideline now introduces factors the sponsor should consider when establishing the default investment option, such as the purpose of the CAP, intended member outcomes, risk level, competitiveness and reasonability of fees, demographics and observed behaviors of members, time horizon, diversification, and liquidity.</p>	<p>The default investment option should be suitable as the core of a member's investments, not just in the context of an absence of member choice. The guideline also introduces the time horizon as a consideration when choosing a default option.</p> <p>When considering all the factors outlined in the guideline, certain types of funds may not be suitable default options; for example, funds such as money market or guaranteed interest accounts may not be appropriate for a CAP designed for retirement, given factors such as risk level, diversification, and time horizon.</p>
<p>Expanded section: maintenance and retention of records¹¹</p> <p>The guideline now details what the sponsor should consider when putting controls in place to secure members' personal data.</p>	<p>In this case, the new guideline is simply reflecting industry best practices.</p>

7 S2.1.4-5. 8 S2.2.1-2. 9 S2.2.3. 10 S2.2.4. 11 S2.3.

Section 3

Educating members about the CAP

This section emphasizes member education to improve decisions and outcomes, ensuring it’s ongoing and not limited to enrolment, and the various factors to consider for an effective education strategy. Throughout this section, the guideline stresses the need for education and information to be presented in plain language.

What’s changed	Manulife perspective on Section 3
<p>General¹²</p> <p>In developing and regularly reviewing the effectiveness of their education strategy, sponsors are encouraged to use criteria that are consistent with the purpose and intended outcomes of the CAP and to consider factors such as financial literacy and access to information and technology. It’s also suggested that sponsors could leverage the trust that exists between them and their members by considering the use of internal channels or incorporating their branding in educational communications to engage members.</p>	<p>The approach sponsors take in periodically reviewing the effectiveness of their education strategy and associated resources may vary depending on the complexity of the CAP. Sponsors may also consider turning to a service provider to assist in establishing criteria to use and in carrying out the review.</p>
<p>Expanded section: information on the nature and features of the CAP¹³</p> <p>The new guideline provides a more detailed list of information sponsors should make available to members, prior to enrolment and on an ongoing basis, about the CAP’s purpose, intended outcomes, and features, as well as how members can improve their outcomes. New items include, notably, information related to enrolment and termination processes and any automatic features offered.</p> <p>The guideline also stresses that sponsors should consider promoting the use of relevant educational materials at key times and customizing materials for specific segments, such as members nearing retirement or newly hired employees. They should also strive to use simple language in all communications.</p>	<ul style="list-style-type: none"> • The new items added in this section reflect how the guideline is moving from providing information on specific items to building an education strategy that encompasses the entire participation period from enrolment to termination. • It’s worth noting that much of the new information to be provided to members is already part of industry best practices, while the practice of tailoring materials and messaging to specific segments or individuals is becoming more widespread in the industry.

¹² S3.1. ¹³ S3.1.1.

What's changed	Manulife perspective on Section 3
<p>Expanded and modified section: responsibilities of members¹⁴</p> <p>The guideline points out that members bear the investment risk associated with a CAP and are expected to actively manage their account. To help them understand the CAP and their role, the sponsor should make available to members information about their responsibilities.</p> <p>The new guideline expands those responsibilities, adding items such as joining the plan; understanding its nature and features; making contribution and investment decisions; using educational resources, tools, and automatic features; reading and retaining their statement and other communications; understanding the plan's impact on their personal finances; seeking investment or financial planning advice from a qualified advisor to regularly review their CAP account and make decisions to meet their goals; maintaining their personal and contact details and beneficiary designations; and choosing an appropriate option on termination of participation in the CAP.</p>	<p>Members' responsibilities are outlined in greater detail, although not exhaustively, reinforcing the need to ensure that they're not only aware of but also that they understand their plan and responsibilities and what participation in a CAP entails. This further emphasizes the importance of sponsors to effectively ensure that members have access to all the necessary information on their plan, that they use the educational materials and tools available to them, and that they're reminded of the importance of keeping their personal contact information up to date.</p>
<p>Expanded and modified section: investment options and funds¹⁵</p> <p>The guideline lists the detailed information the sponsor should make available to members about the investment options and investment funds in the plan, including any restrictions, costs, and historical performance, so that members can make informed decisions.</p>	<p>The changes in this section reflect existing industry best practices.</p>
<p>Expanded section: transfers between investment options¹⁶</p> <p>The new guideline suggests that sponsors make information available on any rules pertaining to automatic transfers that may be triggered, such as auto-rebalancing or auto-transfer in lifecycle-type funds.</p>	<p>While the guideline here hasn't changed significantly, it reflects the importance of educating members not only on the CAP features but also on the rules around these features, such as those triggering automatic transfers between investment funds.</p>
<p>Modified and expanded section: description of fees and expenses¹⁷</p> <p>The guideline clarifies both the type of information to be included and the frequency with which members should be informed about fees and expenses associated with their account and investment options. These should be provided or made available to members when the CAP is introduced, whenever there's a material change, and at least annually thereafter.</p> <p>The new guideline also stresses that this information should be presented in plain language and should include a description of the long-term impact on members' account balances.</p>	<ul style="list-style-type: none"> • Sponsors should work with their service providers to consider the best way to present this fee information to ensure it's clear and understandable to members and to support their decision-making. • Sponsors should keep in mind that additional disclosure might be required when changes in fees and expenses fall within the definition of material changes as defined in Section 5 of the new guideline.¹⁸

¹⁴ S3.1.2. ¹⁵ S3.2. ¹⁶ S3.3. ¹⁷ S3.4. ¹⁸ S5.2.2.

Section 4

Decision-making tools and investment advice

This section details what the sponsor should provide to members to help them make decisions, such as how to invest their assets or how much and when to contribute to their plan. It covers investment information, decision-making tools, and advice to assist members in achieving their desired outcomes—a recurring theme in the updated guideline.

What's changed	Manulife perspective on Section 4
<p>Expanded section: general information¹⁹</p> <p>The guideline provides factors to consider when deciding what investment information and decision-making tools to provide, such as the purpose of the CAP, decisions members must make, cost, financial literacy, and members' familiarity with digital tools.</p> <p>While the guideline states that tools don't need to address members' entire financial circumstance and need, it does suggest considering tools that capture members' other personal savings and/or government benefits to provide them with a fuller picture of potential retirement income.</p>	<ul style="list-style-type: none"> • The investment information and decision-making tools are no longer limited to assisting members in making investment decisions in the plan, but rather assisting them in determining and achieving their desired outcomes. • The idea of decision-making tools that capture members' other personal savings and government benefits is new in the guideline, but it's been common practice for retirement CAPs for some time. • The extent to which the sponsor should consider these factors would likely be influenced both by the purpose of the CAP, especially if it's other than retirement, and by its nature (size, complexity, and other characteristics).
<p>Expanded section: investment information²⁰</p> <p>This section lists the investment information that sponsors should give members access to. This can include a glossary of terms; information on asset allocation, portfolio building and rebalancing, and compounding and time horizon; investment option; the expected risk and return levels for different options, including a description of guarantees; and performance reports for funds.</p>	<p>Although the list has been expanded, it's already common practice to provide this level of detail to members. Comprehensive investment information and quality educational materials, if consistent with best practices, would deliver this additional information.</p>
<p>Expanded section: decision-making tools²¹</p> <p>The guideline lists additional decision-making tools that sponsors should consider providing to help members. Among these, sponsors should consider tools that can estimate how much money members will need for living and lifestyle expenses in retirement and projection tools to help members assess potential retirement income, when applicable. They also include calculators to show the effects of withdrawals, returns, fees, and expenses.</p> <p>A new section on investment projections and assumptions details that sponsors and their service providers should establish and review assumptions used in decision-making tools. Disclosures for these tools should also describe how outcomes may be affected by different assumptions and that actual results will differ. The guideline suggests showing a range of results based on varying assumptions.</p>	<p>The additions to the guideline of decision-making tools to help members estimate their potential retirement income and the new section related to investment projections and assumptions are elements that already exist in "CAPSA Guideline No. 8: Defined Contribution Pension Plans." The inclusion of these elements in the CAP Guideline is expanding their application to all CAPs, not just pension plans.</p>

¹⁹ S4.1. ²⁰ S4.2. ²¹ S4.3.

What's changed	Manulife perspective on Section 4
<p>Expanded section: investment and financial planning advice²²</p> <p>If a sponsor arranges or refers members to service providers for investment or financial planning advice, the sponsor should clearly communicate the nature of the advice, including limitations in the scope of services, how the advisors are compensated, and who's paying for the services. Otherwise, the sponsor may consider providing to members information on finding the right financial advisor.</p> <p>The new guideline also builds on an existing list of factors for sponsors to consider when selecting an advice service provider. New items include any conflicts of interest, the availability of an asset allocation or financial planning model, knowledge of CAPs and regulatory requirements, data security, fee competitiveness, commissions, and incentives.</p>	<ul style="list-style-type: none"> • Financial planning has been added to the type of advice covered, reflecting the demand for such services and aligning with the emphasis in the guideline on improving decision-making and member outcomes. • The new guideline is considerably more explicit on what sponsors should communicate to their members when investment or financial planning advice is available on their CAP. In this context, it would be appropriate to review existing resources and member communications to ensure this information is shared effectively.

²² S4.4.

Section 5

Ongoing communications to members

This section provides guidelines on sponsors’ communications with members, highlighting the importance of aligning communications with the CAP’s intended outcomes, and what information should be provided regularly. Overall, the new guideline highlights that member communications should be geared toward the intended outcome of the CAP.

What’s changed	Manulife perspective on Section 5
<p>Expanded section: member statements²³</p> <p>The new guideline adds or clarifies certain elements around member statements, including:</p> <ul style="list-style-type: none"> Organizing member statements for clarity of content Helping members understand their level of savings and projected income in retirement, if the CAP’s focus is retirement The content that should be included, such as the personal rate of return; notification of the start of retirement income, where applicable; and minimum and maximum withdrawal amounts for the following year, where applicable 	<ul style="list-style-type: none"> While the new guideline includes additional information to be featured on member statements, it aligns with the standard industry practices in today’s CAP industry, for the most part. The addition of content related to the start of retirement income and withdrawal amounts reflects the expanded definition of a CAP, which now includes retirement income payout plans, such as RRIFs and LIFs. It also aligns with pension plan legislation, which now allows members to receive retirement income directly from a defined contribution pension plan, if provided for in the plan text.
<p>Modified and expanded section: access to additional information²⁴</p> <p>With the focus on retirement outcomes, the guideline adds new items to the list of additional information sponsors should offer members regarding their CAP account:</p> <ul style="list-style-type: none"> Estimates or projections and their key assumptions Explanation of fees and their impact on expected returns <p>Any information that’s not included in member statements could be provided by another channel.</p>	<p>Information sponsors should provide to members on their account has been expanded. Providing this information through member statements would suffice to comply with the guideline; however, any applicable information that’s not on the statements could be made available through a different channel or through multiple channels.</p>

²³ S5.1. ²⁴ S5.2.1.

What's changed	Manulife perspective on Section 5
<p>Expanded section: report on material changes²⁵</p> <p>If sponsors plan a material change to the plan's purpose, features, or investment options, they should give advance notice to members. The notice should contain specific details as outlined in the guideline.</p> <p>Additionally, the guideline defines material changes in investment options as those that would be deemed significant by a reasonable investor when making decisions to buy, sell, redeem, or continue holding the investment. This may encompass changes to the available investment options, fees, or changes in service providers.</p>	<ul style="list-style-type: none"> • It's worth noting that the types of changes listed are no longer just those related to investment options but also those affecting any CAP features, including the CAP's purpose. • The enhanced definition of a material change provides more clarity for sponsors. The new focus on how it could affect members' decisions is more aligned with industry best practices.
<p>Modified section: performance reports for investment options²⁶</p> <p>The sponsor should provide, at least annually, performance reports for each investment option to members.</p> <p>The list of items that should be included in the performance report is essentially unchanged except for the addition of current and effective yields for money market investment funds.</p>	<p>The new guideline gives more direction on how often to provide an investment performance report; for example, by basing the frequency of the report on the market practice for a type of fund. This is already a best practice in the industry, where recordkeepers provide such information.</p>

²⁵ S5.2.2. ²⁶ S5.3.

Section 6

Maintaining oversight of a CAP

This section covers the various aspects of a CAP that should be periodically reviewed as part of maintenance and oversight activities.

The guideline states that beyond setting up a CAP, a sponsor needs to periodically review all components of the plan: features, service providers, investment options, fees, record maintenance, member education, and decision-making tools. The sponsor should also set the criteria and the frequency for the review.

Overall, this section of the guideline helps sponsors identify:

- The scope of maintenance for a CAP
- The criteria that should be used while reviewing their plans
- The factors that should be considered when deciding on the review criteria

In carrying out these oversight tasks, it’s expected that many sponsors might rely on outside expertise from an advisor or independent service provider to help them perform reviews.

What’s changed	Manulife perspective on Section 6
<p>New section: reviewing plan and governance framework²⁷</p> <p>Sponsors may review the plan’s features to ensure they align with the CAP’s purpose and objectives. This review may include assessing member satisfaction, observed outcomes, market features, retirement income options, and the appropriateness of plan features for members.</p> <p>The sponsor should also periodically review the governance process for the CAP to ensure it helps meet the sponsor’s roles and responsibilities in providing the CAP.</p>	<p>The term periodically in this context likely refers to regular intervals, but it can also be prompted by events that may affect the plan’s purpose, features, best practices, and more, such as legislative or marketplace changes.</p>

²⁷ S6.1.

What's changed	Manulife perspective on Section 6
<p>New section: reviewing fees and expenses²⁸</p> <p>Sponsors should periodically review member fees and expenses to ensure they're reasonable and competitive.</p> <p>They can do this by requesting fee breakdowns, comparing fees across providers, and looking for opportunities to leverage economies of scale.</p> <p>They should also consider reviewing whether fees provide value in terms of investment return and member services.</p> <p>In determining if fees provide value, the sponsor should assess the performance of service providers, investment options, and member education tools.</p> <p>While low costs are important, the sponsor should also consider the quality of services and investment strategies that can lead to better outcomes for members.</p> <p>The sponsor may consider using an independent service provider for this review.</p>	<ul style="list-style-type: none"> • The 2004 guideline included the review of fees and expenses as factors to consider when assessing a service provider. The new guideline places a heightened emphasis on fees and expenses, requiring sponsors to ensure that they're reasonable and competitive. • While the review of fees aligns with current industry best practices, the guideline is also inviting sponsors to consider the value for members that fees and services might provide. The guideline acknowledges that the lowest fees may not always equate to the best value. Plan services and resources can provide added value for plan members, leading to better outcomes. To assess the value that members receive from the fees and expenses charged, sponsors may seek the assistance of an advisor or independent service provider. • Regarding independence of the service provider in reviewing fees, an example would be if the sponsor engages an advisor to review the competitiveness of investment management fees. The sponsor should consider if the advisor receives any compensation from those fees.
<p>Expanded section: reviewing service providers²⁹</p> <p>In reviewing service providers, including those offering financial planning or investment advice, the guideline lists new criteria for sponsors to consider, such as changing CAP needs, updating criteria to reflect the current market, assessing performance and product quality, and sponsors' satisfaction.</p>	<ul style="list-style-type: none"> • There's an increased focus on establishing performance criteria and to have this review process integrated in the overall governance framework. • While the 2004 guideline listed different factors for reviewing service providers for investment advice compared against other service providers, the new guideline now treats all service providers the same.
<p>New section: reviewing investment options and funds³⁰</p> <p>Sponsors should periodically, and at least annually, review the performance of each investment option and fund in the plan, including the default option, and ensure that the investment lineup is suitable for members.</p> <p>The guideline suggests that the review process should include updating the criteria to reflect changes in the marketplace, performance assessment, reasonability of fees, risk and return alignment, impact when investment managers change, perceived or actual conflicts of interest, and member investment behavior.</p>	<ul style="list-style-type: none"> • The new guideline highlights the importance of reviewing the default option on an ongoing basis to ensure it remains appropriate. Changes in legislation and industry standards over time can affect what's considered an appropriate default option. Also, in jurisdictions where default options are specified for pension plans, the sponsor must comply with legislation. • It also reinforces the importance of not only reviewing existing investment options but ensuring that the investment lineup is still appropriate for members. • The guideline lists new factors, aligning with best practices, that sponsors should consider in a review, such as how members are using the funds. This could open the door to removing unused or underused funds to optimize the fund lineup. • As with other reviews, sponsors could seek the assistance of an advisor or another independent service provider.

28 S6.2. 29 S6.3. 30 S6.4.

What's changed	Manulife perspective on Section 6
<p>Expanded and modified section: reviewing member education and decision-making tools³¹</p> <p>This section was previously limited to decision-making tools but now includes the education strategy and materials and investment information.</p> <p>Some criteria for the review were adjusted to align with the larger scope of this section. Of particular importance to sponsors is the addition of assumptions or model outputs, member investment behavior, projected CAP outcomes, and member satisfaction.</p>	<ul style="list-style-type: none"> • The new guideline recognizes that member education is as important in adding value for members and helping generate greater outcomes and, as such, should be included in CAP reviews to ensure its effectiveness and appropriateness. • With the emphasis on ensuring the effectiveness and appropriateness of education and tools, the rigour involved in executing this review may prove challenging for smaller CAPs. Here, again, the assistance of advisors or other service providers could prove valuable. • Also, as previously stated, CAPSA acknowledges that the application of this guideline will vary depending on the nature (size, complexity, and other characteristics) of the CAP. This suggests that review could be more streamlined for some simpler and smaller CAPs and sponsors and more elaborate for larger, more complex ones.
<p>Modified section: reviewing maintenance of records³²</p> <p>The new guideline emphasizes the need to implement a record retention policy, which should be reviewed periodically for compliance with all applicable legislation; reviewing errors in records; and assessing the appropriateness of controls, processes, and systems employed.</p> <p>The sponsor should also take steps to maintain the accuracy of member records, and to locate any members who are missing or whose contact information isn't current, and to document changes received from members. The guideline suggests referring to "CAPSA Guideline No. 9: Searching for Un-locatable Members of a Pension Plan" for guidance on finding these members.</p>	<ul style="list-style-type: none"> • The focus of this section has changed slightly to emphasize evaluating the existing record maintenance process itself as opposed to only evaluating how well the process is being followed. • Also of note, the guideline no longer makes a distinction between sponsors maintaining their plan's records and those who have engaged a service provider for record maintenance. In both cases, sponsors have the responsibility to review, or have their service provider confirm, the appropriateness of the controls, processes, and systems employed. • With the addition of the need to locate missing members, the guideline addresses situations that occur frequently in which members don't update their information or where sponsors may lose contact with members who leave employment or retire but still have assets in the CAP. <p>While members are responsible for updating their contact information, sponsors should consider implementing processes to prevent this issue. Such a process could include using automatic features to update member details, using a third party to locate members, and frequent reminders to members of their responsibility to update their contact details.</p>

31 S6.5. 32 S6.6.

Section 7

Communication to CAP members on termination of active participation

This section covers processes and sponsor obligations when members stop participating in a CAP because they leave their job, retire, or die.

What's changed	Manulife perspective on Section 7
<p>Clarified guideline</p> <p>The new guideline clarifies the sponsor's responsibility to members who are no longer participating but who still hold assets in the plan. The termination should follow plan terms and legal requirements, and the sponsor maintains responsibility to these members while they have assets in their CAP account.</p>	<p>With regard to responsibility, if, for example, members are provided 90 days to make an election at termination—as may be the case for certain plan types or administrative rules—the sponsor is still responsible to members during that period and for as long as their assets are in the plan.</p>
<p>Expanded list</p> <p>The new guideline has added items to the list of information that needs to be provided to members or their survivors/beneficiaries. Information should include whether members can stay in the plan, must move to another plan, or will receive income from it, as well as how to transfer money out, and any explanation of fees and expenses if they choose to stay in the plan. Sponsors should also inform members of any default options if they take no action.</p>	<ul style="list-style-type: none"> • Most of the items added in the new version of the guideline align with current best practices in the industry. • The guideline emphasizes the information that must be given to members, but the varying levels of financial literacy among members may make decision-making during termination overwhelming. <p>Providing access to support or advice could assist members in navigating the numerous decisions they'll face. While not mandatory, an advice provider with whom the sponsor has an arrangement can aid in decision-making.</p>
<p>New guideline</p> <p>For CAPs that allow members to receive a retirement income directly from the plan, the guideline details what information sponsors should provide, including information on available retirement income options; associated investments; ongoing communication, if elected; and associated fees and expenses.</p>	<p>This guideline on retirement income received directly from the plan will be helpful in guiding sponsors and service providers on the specific information they should provide to members. Examples of retirement income options would include variable benefits, such as in-plan withdrawals and Variable Payment Life Annuity (VPLA), which allows members to draw income directly from a pension plan.</p>

Section 8

Communication to members on termination of a CAP

This section provides guidelines on how to terminate a CAP, which the sponsor must do in accordance with plan terms and legal requirements.

What's changed	Manulife perspective on Section 8
<p>Expanded guideline</p> <p>If sponsors terminate the CAP, they should promptly provide members with the necessary information as outlined in Section 7 above.</p>	<p>While it isn't covered in this section, it's worth noting that the issue of missing members could surface at termination of the plan, underscoring the need for a process to prevent such occurrences.</p>

Final thoughts: implementing the new guideline

A focus on outcomes

An overarching theme in the new CAP Guideline is the emphasis on intended member outcomes, which is reflected in every aspect of the guideline—from establishing the purpose, features, and investment options for the CAP to facilitating decision-making through education, tools, and advice to setting up and carrying out governance and oversight. Intended outcomes can serve as a guiding principle for sponsors as they apply the guideline.

Reflecting the current reality

Although changes from the 2004 guideline are significant, the updated guideline reflects current legislation, regulations, and existing industry best practices while providing a framework for the future evolution of the industry.

Applying the guideline

While it's not legislation, there are strong reasons for sponsors to make every effort to follow this guideline. Since it reflects the expectations of regulators for operating a CAP, applying it can assist sponsors in building successful CAPs and may protect them in case of legal challenges. Consideration given in the guideline to the nature (size, complexity, and other characteristics) of the CAP may help ensure its application is feasible for any type or size of CAP and sponsor.

There are many key areas in which service providers, such as advisors and consultants, can play a key role in helping sponsors apply this guideline; for example, when it comes to setting up a governance framework and assisting with various reviews.

A final reminder that the 2024 CAP Guideline now reflects regulators' expectations, and sponsors should apply the guideline to their CAPs as soon as possible. Systems and process changes needed to support the guideline should be implemented by January 1, 2026.



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