

New CAPSA Guideline

On March 1, 2011 the Canadian Association of Pension Supervisory Authorities (CAPSA) released the new *Guideline Number 5: Guideline on Fund Holder Arrangements*. This new guideline outlines good governance practices related to fund holder arrangements of the pension plan and pension fund.

As a background on terminology, fund holder arrangements are made for the administration and investment of the pension fund. They include, but are not limited to, the fund holder agreement, custodial agreement, third-party service agreements, and other service agreements. The fund holder is the financial institution or party that is retained by the administrator to hold the pension fund's assets in accordance with the terms of the fund holder agreement(s), the requirements of legislation (including the Income Tax Act) and the terms of the pension plan.

Guideline Number 5 expands on CAPSA *Guideline Number 4: Pension Plan Governance Guidelines and Self Assessment Questionnaire* by highlighting the governance principles that apply to pension fund holder arrangements. It identifies the types of pension fund holder arrangements permitted and discusses the roles and responsibilities of employers, plan administrators and pension fund holders. It also provides information on what the regulator looks for when examining fund holder arrangements.

According to *Guideline Number 5* the plan administrator, in addition to complying with applicable legislation, should abide by the following principles:

- Hold the pension fund's assets exclusively for the pension plan.

- Keep pension fund assets separate and apart from employer assets.
- Ensure the pension fund's assets are held separate and apart from the fund holder's assets, except as permitted by applicable pension legislation.
- Ensure assets are invested in accordance with the legislative requirements, the pension plan's Statement of Investment Policies & Procedures and any other investment policies established for the pension plan.
- Act in a fiduciary role in relation to the pension fund.
- Ensure that the respective roles, duties, responsibilities and obligations of all parties providing pension services related to operation of the pension fund are clearly defined and understood.

The new CAPSA guideline reinforces the importance of fiduciaries/plan sponsors to regularly review the fiduciary agreements associated with their pension program. This review should be incorporated into the overall governance structure of your program. While CAPSA is specific to pension plans, the process of governance and review of fiduciary agreements should be applied to all capital accumulation plans, foundations and endowments.

Please contact Proteus for assistance in creating and maintaining a robust governance structure for your organization's retirement program.



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