Guideline No. 4: Pension Plan Governance

Frequently Asked Questions

The following frequently asked questions (FAQ) and responses have been developed by the CAPSA Pension Plan Governance Committee with the assistance of its Industry Working Group.

The purpose of the FAQ is to provide pension plan administrators with general guidance, additional clarification and examples related to the revised *CAPSA Guideline No. 4: Pension Plan Governance,* published for consultation in March 2016.

The FAQ may be updated periodically to incorporate additional questions received from stakeholders.

Additional questions related to the *CAPSA Guideline No. 4: Pension Plan Governance* should be referred to:

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Principle 1: Fiduciary responsibilities

The plan administrator has fiduciary responsibilities to plan members and beneficiaries. The plan administrator may also have other responsibilities to other stakeholders.

Question 1.1

What is a fiduciary relationship? As a plan administrator, what are my fiduciary responsibilities?

Answer:

Generally, a fiduciary relationship exists whenever one party (the plan administrator) has discretionary power over the interests of the other party (plan member or beneficiary) and has an obligation to use that power in the other's best interests. The party with the discretionary power is the fiduciary. The hallmarks of a fiduciary relationship are the fiduciary's discretionary power and the beneficiary's vulnerability to the abuse of that power. Fiduciary law regulates the fiduciary's use of its discretionary power to ensure it is not abused by imposing a strict standard of conduct often referred to as the fiduciary's responsibilities or duties.

Two primary responsibilities flow from a fiduciary relationship: the duty of care and the duty of loyalty. An administrator's duty of care is set out in Canadian pension benefits standards legislation and generally requires that the administrator exercise the same degree of care that a person of ordinary prudence would exercise in dealing with the property of another person. A fiduciary is expected to be more prudent in dealing with another person's property than in dealing with his or her own.

The administrator's duty of loyalty means that the administrator must act solely in the best interests of the plan members and beneficiaries, and be impartial and even-handed. The responsibility to be impartial and even-handed includes that the administrator treat members and beneficiaries fairly with due regard to their different interests and not personally favour some beneficiaries over others; however, it does not mean equal treatment.

In summary, as a fiduciary, it is a plan administrator's responsibility to:

- Exercise the same degree of care that a person of ordinary prudence would exercise in dealing with the property of another person;
- Act in the best interests of all plan members and beneficiaries;
- Be impartial and even-handed in the treatment of all plan members and beneficiaries;
- Retain expert advisors or agents to carry out tasks for which the administrator is unsuited or unqualified;
- Manage conflicts of interest;
- Give due regard to different members' and beneficiaries' interests; and
- Ensure the administrator is not influenced by personal favouritism.

Question 1.2

I am both the employer and the plan administrator of my company's pension plan. What are some examples of my responsibilities regarding the pension plan in my role as the employer and in my role as the plan administrator?

Answer:
In your roles as both employer and plan administrator, your decisions and actions are subject to the legislative requirements that apply to the plan.

With this in mind, as the employer, on the one hand, you would normally:

- Determine the provisions of the pension plan;
- Make any necessary amendments to the plan provisions; and
- Make contributions to the pension plan.

On the other hand, as the plan administrator, you would:

- Ensure that the plan is administered in accordance with its provisions and in compliance with legislative requirements and plan policies, including funding policies;
- File any amendments made to the plan and any prescribed documents with the appropriate regulatory authorities; and
- Ensure contributions required to be made to the pension plan are paid on a timely basis.

See also Questions 3.2 and 10.1.

Principle 2: Governance framework

The plan administrator should establish and document a governance framework for the administration of the plan.

Question 2.1

What is a governance framework?

Answer:

A governance framework is a documented structure that (i) clearly sets out what areas the plan administrator needs to address in the administration of the plan in order to meet its fiduciary and other responsibilities, and (ii) demonstrates how the administrator intends to meet those responsibilities.

One approach to documenting the governance framework involves the plan administrator creating and maintaining an electronic governance binder that stores plan related material under various folders. The following folders could be established:

1. Background
2. Plan Documentation
3. Governance Reference Material (including CAPSA Guidelines)
4. Minutes of Meetings
5. Contracts with Service Providers
6. Communications with Plan Beneficiaries
7. Governance Policies and Procedures
    a. Fiduciary Responsibility
    b. Roles and Responsibilities
    c. Performance Monitoring
    d. Knowledge and Skills
    e. Access to Information
    f. Risk Management
    g. Oversight and Compliance
    h. Transparency and Accountability
    i. Code of Conduct and Conflict of Interest
    j. Governance Review

Under each of the governance sub-folders it would be expected that the plan administrator would adopt and document a process, procedure or policy and other related material to assist it in meeting the stated Principle.

Principle 3: Roles and responsibilities

The plan administrator should clearly describe and document the roles, responsibilities, and accountabilities of all participants in the pension plan governance process.

Question 3.1

Does CAPSA have a sample assessment tool outlining the various responsibilities and accountabilities by role that my organization can use as a starting point?

Answer:

Below is a sample tool for single employer defined benefit plans and defined contribution plans to review roles and responsibilities. As noted in the Guideline, when the same person or entity performs both pension plan governance and corporate functions, there must be a clear recognition, understanding, and documentation of the different roles and responsibilities of each function. When a decision is made, it should be clearly documented, and its rationale and the role under which it is taken should be included. Although the plan administrator may not perform all tasks related to the governance of the pension plan, it remains ultimately responsible and accountable for the management of the plan.

Sample Roles and Responsibilities Tool for Single Employer Plans[1]

Function[2,3]	Record keeper	Legal Advisor	Custodian or Trustee	Actuary	Investment Advisor/ Investment Manager	HR Dept.	Finance Dept.	Pension Committee	Board of Directors
(1) **Plan Design**									
- Establishment/termination of plan									
- Plan amendment (substantive)									
- Plan amendment (housekeeping/regulatory compliance)									
(2) **Plan Funding**									
- Reconciliation of contributions payable and paid to the plan									
- Actuarial methods and assumptions									
- Funding Policy									

[1] In each applicable column, indicate whether the position, department, committee or board (as applicable to the particular governance structure) is either responsible (R), accountable (A), consulted (C), or informed (I).

[2] The plan-related functions listed in this tool reflect both sponsor (non-fiduciary) and administrator (fiduciary) functions. They are for illustrative purposes only and are not exhaustive. The functions will differ depending on the nature of the different plans being sponsored and administered (i.e. defined contribution, defined benefit, target benefit, etc.)

[3] Please note that the references to HR and Finance departments listed above are for illustrative purposes only. The table should be modified to reflect the departments, positions (e.g. legal or investment advisor, the chief financial officer or human resources director), committees and bodies within the particular governance structure that have roles in ensuring the proper administration and sponsorship of the pension plan.

Function	Record keeper	Legal Advisor	Custodian or Trustee	Actuary	Investment Advisor/ Investment Manager	HR Dept.	Finance Dept.	Pension Committee	Board of Directors
(3) **Investment of Pension Assets**									
- Statement of Investment Policy and Procedures/Guidelines									
- Selection of investment advisor(s)									
- Selection of Investments and DC Options									
- Monitoring of investment performance (including review of reports)									
(4) **Administration**									
- Appointment of investment advisor(s)									
- Appointment of legal counsel									
- Appointment of actuary									
- Appointment of record keeper/administrators/custodian									
- Monitoring of investment advisor(s)									
- Monitoring legal counsel									
- Monitoring actuary									
- Monitoring of record keeper/administrator/custodian									
- Communications strategy									
- Communications content									
- Plan documentation – service provider agreements									
- Plan documentation/retention									

Function	Record keeper	Legal Advisor	Custodian or Trustee	Actuary	Investment Advisor/ Investment Manager	HR Dept.	Finance Dept.	Pension Committee	Board of Directors
- Monitoring case law/legislative compliance									
- Interpretation of plan provisions									
- Fiduciary education									
- Fiduciary insurance									
- Treatment of unusual cases									
- Member inquiries									
- Member dispute resolution / appeals									
- Enrolment									
- Payment of benefits									
- Payroll deductions									
- Other filings (Annual Information Return)									
- Audited pension plan financial statements									
(5) Governance									
- Governance structure review									
- Compliance with CAPSA Guidelines									
- Governance Report to Board									

Question 3.2

What are the “typical” roles and responsibilities that plan administrators should anticipate being accountable for?

Answer:

The participants in the governance process, and their roles and responsibilities, may vary depending on the type of pension plan and how it is administered. Recognizing that the number and type of roles will vary from pension plan to pension plan, the following are examples of “typical” roles in the governance process for a standard defined benefit, defined contribution and multi-employer pension plan. In addition, various tasks may be performed by delegates with the understanding that pension legislation may limit parties who can provide certain services or advice.

These lists are not exhaustive.

A) Defined Benefit Plan

For a defined benefit plan, the roles and responsibilities may include:

Role: High level duties in the administration of the pension plan

- Obtain appropriate training and ongoing education to carry out fiduciary and other responsibilities
- Establish, implement and maintain the governance framework for the administration of the pension plan and ensure appropriate parties are advised of the requirements applicable to them
- Identify the skills and knowledge for the delegates and staff to carry out the administrative functions of the plan administrator
- Establish the criteria for the selection and performance measures of delegates and staff selected to carry out the administrative functions
- Allocate roles and responsibilities to various participants in the administration of the plan
- Select, appoint and monitor service provider(s)
- Establish a process for reporting to the plan administrator, typically the Board of Directors, on the administration of the plan and the investment of the plan’s assets
- Ensure the plan text and administration is compliant with applicable legislation
- Refer to applicable CAPSA and regulatory guidelines and policies

Role: Oversee the investment of the assets of the pension plan

- Establish and regularly review (at least annually) the investment policy for the investment of the assets, updating as required, and ensuring the policy is provided to interested parties (such as a plan actuary)

- Select and retain investment managers, monitor their performance and recommend / oversee changes in managers if and when appropriate

Role: Day-to-day responsibilities for the administration of the pension plan

- Ensure all required documents and forms are filed with the regulatory authorities (such as Annual Information Returns, actuarial valuation reports and plan amendments)
- Ensure required contributions are made to the pension plan when due
- Calculate members' benefits accurately and in a timely manner
- Ensure administrative timeframes established in relevant pension legislation are adhered to
- Respond to members' and beneficiaries' inquiries

Role: Provide services or advice required in the administration of the plan

- Ensure periodic actuarial valuations of the plan are prepared
- Draft amendments to be made to the plan and prepare related regulatory form filings
- Hold and/or invest the plan assets
- Maintain plan records
- Pay members' benefits accurately and in a timely manner
- Prepare and provide required statements to members at least annually
- Provide information necessary for completing the Annual Information Return

B) Defined Contribution Plan

For a defined contribution pension plan, the roles and responsibilities may include:

Role: High level duties in the administration of the plan

- Obtain appropriate training and ongoing education to carry out fiduciary and other responsibilities
- Establish, implement and maintain the governance framework for the administration of the pension plan and ensure appropriate parties are advised of the requirements applicable to them
- Identify the skills and knowledge for the delegates and staff to carry out the administrative functions of the plan administrator
- Establish the criteria for the selection and performance measures of delegates and staff selected to carry out the administrative functions
- Allocate roles and responsibilities to various participants in the administration of the plan
- Select, appoint and monitor service provider(s)
- Establish a process for reporting to the plan administrator, typically the Board of Directors, on the administration of the plan and the performance of the plan's investment options
- Ensure the plan text and administration is compliant with applicable legislation
- Refer to applicable CAPSA and regulatory guidelines and policies

Role: Oversee the investment of the assets of the pension plan

- Establish and regularly review (at least annually) the investment policy for the investment of the assets, updating as required, and ensuring the policy is provided to interested parties (such as the plan's investment advisor) [4]
- Select investment options, monitor their performance and recommend / oversee changes in options if and when appropriate

Role: Day-to-day responsibilities for the administration of the pension plan

- Ensure all required documents and forms are filed with the regulatory authorities (such as the Annual Information Return and plan amendments)
- Ensure that calculation of employer and member contributions are consistent with the terms of the plan and are deposited to the pension fund when due
- Ensure administrative timeframes established in relevant pension legislation are adhered to
- Respond to members' and beneficiaries' inquiries

Role: Provide services or advice required in the administration of the plan

- Receive employer and member contributions
- Draft amendments to be made to the plan and prepare related regulatory form filings
- Hold and/or invest the plan assets
- Maintain plan records
- Pay members' benefits accurately and in a timely manner
- Prepare and provide required statements to members at least annually
- Provide information necessary for completing the Annual Information Return
- Provide investment information and decision-making tools to members of plans in which members make investment decisions

C) Multi-Employer Pension Plan

A multi-employer pension plan (MEPP) may be administered by a Board of Trustees or another entity as permitted by legislation. For purposes of this section the Board of Trustees also includes these other entities.

For a MEPP, roles and responsibilities may include:

Role: High level duties in the administration of the plan

- Obtain appropriate training and ongoing education for members of the Board of Trustees to carry out their fiduciary and other responsibilities

[4] In some jurisdictions, an investment policy is not required for defined contribution plans where members are responsible for investment decisions.

- Establish, implement and maintain the governance framework for the administration of the pension plan and ensure appropriate parties are advised of the requirements applicable to them
- Provide members of the Board of Trustees with current versions of all key documentation including plan texts, trust agreements and actuarial valuation reports
- Identify the skills and knowledge for the delegates and staff to carry out the administrative functions of the plan administrator
- Establish the criteria for the selection and performance measures of delegates and staff selected to carry out the administrative functions
- Select and appoint delegates and third party service providers and, if appropriate, hire staff to carry out the administration of the plan
- Establish a process for reporting to the Board of Trustees, on the administration of the plan and the performance of the plan's investment options
- Review performance of delegates, plan staff and service providers against established standards
- Monitor the funding of the plan
- Take action where employers are delinquent in making required contributions
- Ensure the plan text and administration is compliant with applicable legislation
- Refer to applicable CAPSA and regulatory guidelines and policies

Role: Oversee the investment of the assets of the pension plan

- Establish and regularly review (at least annually) the investment policy for the investment of the assets, updating as required, and ensuring the policy is provided to interested parties (such as a plan actuary)[5]
- Select and retain investment managers, select investment options (for DC MEPPs), monitor their performance and recommend / oversee changes in managers if and when appropriate
- Invest the assets of the plan in accordance with the investment policy established by the Board of Trustees and in compliance with legal requirements

Role: Day-to-day responsibilities for the administration of the pension plan

- Ensure all required documents and forms are filed with the regulatory authorities (such as the Annual Information Return and plan amendments)
- Monitor required contributions paid by employers and, where employers are delinquent in making required contributions, follow the established delinquency control process which should include bringing them to the attention of the Board of Trustees
- Calculate members' benefits accurately and in a timely manner
- Provide monthly and lump sum pension payments to members or beneficiaries
- Ensure administrative timeframes established in relevant pension legislation are adhered to
- Respond to members', beneficiaries' and other stakeholders' inquiries

[5] In some jurisdictions, an investment policy is not required for defined contribution plans where members are responsible for investment decisions.

Role: Provide services or advice required in the administration of the plan

- For defined benefit MEPPs, periodically perform actuarial valuations of the plan and report the results to the Board of Trustees
- Draft amendments to be made to the plan and prepare related regulatory form filings
- Hold plan assets
- Maintain plan records
- Pay members' benefits accurately and in a timely manner
- Prepare and provide required statements to members at least annually
- Provide information necessary for completing the Annual Information Return
- For defined contribution MEPPs, provide investment information and decision-making tools to members of plans in which members make investment decisions.

Question 3.3

Would the participants in the governance process and their roles and responsibilities also vary depending on the legislative requirements applicable to the plan?

Answer:

Yes. For example, where the pension legislation requires that the plan administrator must be a pension committee, the pension committee is legally responsible for performing all of the functions related to the administration of the pension plan.

Principle 4: Performance monitoring

The plan administrator should establish and document performance measures to monitor the performance of participants in the governance and administration of the plan.

Question 4.1

How might the performance of participants in the governance and administration process be measured?

Answer:

The following are examples of participants in the governance and administration process and how their performance might be measured (other participants and performance measures should be considered as applicable to the plan):

Participants	Performance Measures
Pension Committee or Board of Trustees	• Are all internal or external service providers periodically monitored against standards and actions taken where standards are not met? • Does the Committee/Board self-assess (i.e. assess its own performance)? Have they determined if an independent review is necessary? • Are terms of reference in place that outline the duties of the Committee/Board and have these duties been fulfilled? • Are the plan rules applied in an even-handed manner? • Does the plan comply with legislative requirements? • Have contributions been paid on time?
Investment Managers	• Has the investment policy for the plan been followed? • Is the manager in compliance with its mandate? • Is investment performance monitored relative to benchmarks and appropriate action taken?
Benefits Administrator or Record Keeping	• Are external service providers monitored, including any contractual service standards, and action taken where necessary? • Are records maintained and members' benefits paid in an accurate and timely manner? • Are regulatory requirements applicable to record-keeping and the administration of benefits being met?

Principle 5: Knowledge and skills

The plan administrator, directly or with delegates, has a duty to apply the knowledge and skills needed to meet the plan administrator's responsibilities.

Question 5.1

What steps need to be taken to develop an appropriate level of knowledge and skill?

Answer:

Orientation training for individuals new to pension plan governance and administration as well as ongoing education of all involved parties are important to ensure the appropriate knowledge and skills required to fulfill governance and administration responsibilities. This would include training (internally provided or by external experts) on concepts such as fiduciary duties, investment management, funding and actuarial concepts, general finance, governance, and pension legislation.

Relevant documentation to be provided for orientation and training includes plan texts, trust or insurance agreements, actuarial valuation reports (for defined benefit plans), statement of investment policies and procedures, guidelines, and audited financial statements.

External advice may be beneficial and could be provided by various professionals such as auditors, custodians, investment managers, lawyers, actuaries, pensions and benefits consultants and record keepers.

Principle 6: Governance information

The plan administrator should establish and document a process to obtain and provide to governance participants appropriate information to meet fiduciary and other responsibilities.

Question 6.1

As a plan administrator, what kind of information should I obtain to ensure that I am meeting my fiduciary and other responsibilities?

Answer:

The following is a list of possible information needed by the plan administrator, depending on the type (defined benefit, defined contribution, single employer, multi-employer, etc.) and size of the plan. (The list is illustrative and not exhaustive.)

- changes in legislation or regulatory and CAPSA guidelines;
- design of the pension plan;
- membership data and demographic changes in the plan membership;

- actuarial valuations;
- audit reports;
- information respecting contributions made to the fund;
- compliance reports;
- investment performance reports;
- other reports from delegates (e.g. service standards, proxy voting reports);
- communication to plan members;
- statistics regarding membership (e.g. members missing beneficiary designations, members invested in the default fund);
- escalated member inquiries; and
- developments respecting good governance of retirement arrangements.

The plan administrator should establish a process to obtain timely information and to review information for accuracy and completeness.

Question 6.2

As the plan administrator, how should I ensure that delegates have the information needed to carry out their responsibilities?

Answer:

The plan administrator should have a process for providing information to its delegates. The plan administrator should identify what information needs to be shared, who it needs to be shared with and who is responsible for sharing it. For example, the plan administrator should have a formal process to distribute the plan's statement of investment policies and procedures, and any amendments to it, from time to time to the actuary and each delegate charged with the management of plan investments.

Principle 7: Risk management

The plan administrator should establish and document a framework and ongoing processes, appropriate to the pension plan, to identify and manage the plan's risks.

Question 7.1

What types of risks does a pension plan typically face?

Answer:

Each plan administrator should consider the specific risks faced by the plan and the most appropriate approaches to manage each risk, recognizing that some risks can only be mitigated, not eliminated. The following is a list of examples of different types of pension plan risks. (This list is illustrative and not exhaustive.)

Funding

- Interest rate or discount rate risk
- Asset/liability mismatch risk
- Longevity risk
- Turnover/retirement risk
- Contribution volatility and delinquency risk

Investment

- Interest rate or duration risk
- Equity risk
- Inflation risk
- Foreign exchange risk
- Liquidity risk
- Credit/counterparty risk
- Environmental, social, or governance risks

Operational

- Benefit processing and payments risk
- Risk of inaccurate data
- Risk of errors in member statements
- Systems or business continuity risk
- Legal and regulatory risk
- Agency and outsourcing risk

Question 7.2

How might a defined benefit (DB) plan's risk management framework differ from that of a defined contribution (DC) pension plan?

Answer:

Risk sharing and responsibility for managing the risks in different types of plans can vary significantly. However, the risk management framework for each type will be very similar: each will require risk identification and analysis, prioritization and development of appropriate documentation and processes to monitor and manage the risks.

Key differences arise over who is responsible for managing the risks and how the different risks are mitigated. In a DB plan, the responsibility for managing investment risks rests with the plan administrator. In a DC plan, that responsibility typically lies with the plan member. While a DC plan administrator may be responsible for selecting and monitoring the investment options offered to members, the DC plan member is usually responsible for selecting their investment portfolio among the available options.

Further guidance on DC plan administration can be found in *CAPSA Guideline No. 3: Guidelines for Capital Accumulation Plans* and *CAPSA Guideline No. 8: Defined Contribution Plans*. Further guidance on developing a funding policy for DB pension plans to help DB plan administrators better manage funding risk can be found in *CAPSA Guideline No. 7: Pension Plan Funding Policy*. In addition, *CAPSA Guideline No. 6: Pension Plan Prudent Investment Practices* contains information for both DB and DC plan administrators that may assist them in managing risks in the investment of the pension plan assets.

Principle 8: Oversight and compliance

The plan administrator should establish and document appropriate processes to ensure compliance with the legislative requirements and pension plan documents.

Question 8.1

Where can I find information on pension standards legislation applicable to my plan?

Answer:

Provincial and federal pension standards legislation and regulations are available on the regulators' websites. Guidance notes and other documents may also be available. Plan administrators should be aware of which jurisdiction's (or jurisdictions') rules apply to the pension plan. Professional guidance is recommended.

Jurisdiction	Applicable Legislation	Pension Supervisor's Website
Alberta	*Employment Pension Plans Act*	www.finance.alberta.ca
British Columbia	*Pension Benefits Standards Act*	http://www.fic.gov.bc.ca
Manitoba	*The Pension Benefits Act*	http://www.gov.mb.ca/labour/pension
New Brunswick	*Pensions Benefits Act*	http://www.fcnb.ca
Newfoundland and Labrador	*Pension Benefits Act, 1997*	http://www.servicenl.gov.nl.ca
Nova Scotia	*Pension Benefits Act*	http://www.novascotia.ca/finance
Ontario	*Pension Benefits Act*	http://www.fsco.gov.on.ca
Prince Edward Island	*Pension Benefits Act (not proclaimed)*	http://www.gov.pe.ca/jps
Quebec	*Supplemental Pension Plans Act*	http://www.retraitequebec.gouv.qc.ca
Saskatchewan	*The Pension Benefits Act, 1992*	http://www.fcaa.gov.sk.ca
Federal	*Pension Benefits Standards Act,1985* *Income Tax Act*	http://www.osfi-bsif.gc.ca http://www.cra-arc.gc.ca

In addition, CAPSA has issued a number of guidelines to provide guidance to plan administrators on regulatory expectations and industry practices. Such documents are available at: http://www.capsa-acor.org

Principle 9: Transparency and accountability

The plan administrator should establish and document a communication process with the aim to be transparent and accountable to plan members, beneficiaries and other stakeholders.

Question 9.1

What are some methods of communicating with plan members and beneficiaries?

Answer:

The plan administrator may consider developing a process that could address methods of communication. The communication should be accurate and clear. The methods of communication will depend upon the plan's resources, legal requirements and privacy considerations, whether plan members are in one place, or in multiple locations and the language(s) spoken by members. Consideration should also be given to the ability and challenges of retirees and other beneficiaries in accessing and receiving information. Methods of communicating can include:

- Hard copy
- Electronic
- In person
    - One on one
    - In groups
- Telephone.

The communication should be in plain language, taking into consideration the need to accurately communicate complex issues.

The plan administrator should refer to any applicable legislative requirements and *CAPSA Guideline No. 2 Electronic Communication in the Pension Industry*.

Question 9.2

What are components of a process for addressing plan member and beneficiary questions or requests?

Answer:

Requirements, recommendations and methods for addressing the questions or requests of plan members and beneficiaries may be prescribed in applicable legislation or in policies released by a pension regulator.

Processes for addressing plan member and beneficiaries' questions and requests should include:

- Advising plan members whom to contact if they have questions or requests;
- Advising plan members about what to do if they have special needs such as the need for a translator;
- Identifying the supporting information that may be necessary to support the question or request;
- Documentation of the inquiry;
- Timelines for providing responses to inquiries that may depend upon whether the inquiry is simple or complex;
- Documentation of the response;
- If the management of plan member inquiries is delegated, the plan administrator receiving reports about the handling of questions and requests;
- A process for escalating plan member questions; and
- A process for advising plan members of their options when they disagree with a decision of the plan administrator, including information to plan members about how to appeal a decision, where permitted, and the timelines for management of appeals.

Question 9.3

What are examples of important decisions of the plan administrator that should be communicated?

Answer:

Some decisions (for example, changes to the pension plan) must be communicated under applicable legislation. Other important decisions respecting the plan may not legally be required to be communicated to plan members, but may affect the pension benefits, rights or obligations of plan members or beneficiaries and communicating those decisions may help plan members better understand the plan. Such optional communications might include:

- Changes in the governance framework;
- Changes in how the pension plan's investments are managed;
- Changes in delegates or service providers; and
- Changes in services provided to plan members and beneficiaries.

Principle 10: Code of conduct and conflict of interest

The plan administrator should establish and document a code of conduct, incorporating a policy to manage conflicts of interest.

Question 10.1

If the employer is both the plan sponsor and plan administrator, what are some of the issues it should be aware of?

Answer:

If the employer is the plan administrator, it is important that the employer recognizes and separates its duties and obligations as an employer from those as the plan administrator (see also Question 1.2). However, when the employer is acting as both the plan sponsor and administrator, conflicts can and do arise from time to time. It is how a conflict is managed that is key to whether a breach of the plan administrator's fiduciary duty to its plan members occurs. Therefore, a conflict of interest policy should set out an appropriate procedure to disclose, address, and document conflicts of interest. Participants in the governance and administration process should receive training on the code of conduct and conflicts of interest policy.

Principle 11: Governance review

The plan administrator should establish and document a process for the regular review of the pension plan's governance framework and processes.

Question 11.1

What would be included in a governance review?

Answer:

CAPSA has prepared the *Pension Plan Administrator Governance Self-Assessment Questionnaire* to assist you, the plan administrator, in carrying out a governance review. A governance review should:

- be carried out regularly based on a pre-established timeframe for review;
- be performed at a high level, but should include a review of the plan's governing documents (such as the plan text, by-laws, trust agreement, and policies, etc.);
- identify plan governance shortfalls, if any, and changes or modifications to the governance policies and practices to address the shortfalls or otherwise improve overall plan governance; and
- include discussion of new legislation or other developments impacting on the pension plan.

Plan administrators may wish to seek independent professional advice.