

TALKING BENEFITS

**ISSUE
ALERT!****Proposed Regulatory Principles
For Capital Accumulation Plans**

Canada's financial services industry regulators, coming together within the Joint Forum of Financial Market Regulators, have released a seminal paper containing regulatory proposals that could shape the future of employer sponsored retirement savings arrangements. At the same time, Ontario has released draft legislation for public comment that, if passed, could enable Ontario's financial regulators to fast track the regulatory proposals contained in the Joint Forum paper. The regulatory principles proposed in the Joint Forum paper will, if they are implemented, impose a discouraging burden of responsibility upon employers who sponsor Capital Accumulation Plans (CAPs).

Capital Accumulation Plans include Defined Contribution (DC) Registered Pension Plans, Group RRSPs (Registered Retirement Savings Plans), Deferred Profit Sharing Plans and other employer sponsored savings arrangements.

Please take the time to participate in this important public process by reading the remainder of this article, and obtain and complete the questionnaire. Also you may wish to visit the website shown in the "Getting More Information" section of this article to learn more about the proposals.


This issue is time sensitive. The deadline for public comment on the Joint Forum paper is July 31, 2001. In order to compile questionnaire responses and make a submission and to meet publication deadlines, your questionnaire should be returned to us as soon as possible.

The Joint Forum paper has been distributed to pension consultants and financial institutions. However, representatives of the Joint Forum have advised Heath Lambert Benefits Consulting that there are no plans to distribute the paper directly to employers, even those that currently sponsor CAPs. Many sponsors of CAPs do not employ the services of pension consultants, and the interests of financial institutions relative to the proposed regulatory principles may be in conflict with the interests of the CAP sponsors they serve. We do not believe it is appropriate or acceptable

that employers, who are the subject of the Joint Forum proposals, might remain uninformed of this important issue.

For these reasons, Heath Lambert Benefits Consulting is releasing this Special Edition of our Talking Benefits newsletter. Our purpose is to make employers aware of the Joint Forum proposals and to encourage you to make your views known to the regulators. Towards this latter objective, we have prepared a brief questionnaire that we hope you will take a few minutes to complete.

THE ISSUES:

1. The Joint Forum of Financial Market Regulators, whose membership includes securities, insurance and pension regulators from across Canada, has released a discussion paper that sets out proposals for new regulatory principals in respect of Capital Accumulation Plans. It is a reasonable expectation that this discussion paper, together with the responses it generates, will serve as the model for regulators to make new rules that will impact upon employer-sponsored retirement programs. 

2. Almost simultaneously, the Government of Ontario has released an exposure draft of a legislative package that will merge the Ontario Securities Commission (responsible for securities regulation) with the Financial Securities Commission of Ontario (responsible for pension and insurance regulation). Among other measures, the legislative package proposes to grant “rule-making authority” to Ontario’s pension and insurance regulators in a number of areas, including the matter of investment disclosure provided in connection with defined contribution pension plans. Other jurisdictions are expected to follow Ontario’s lead, and a single national financial services regulator may emerge from this process of regulatory re-structuring.

THE REGULATORY PRINCIPLES PROPOSED BY JOINT FORUM ARE AS FOLLOWS:

- ▶ *Fiduciary duties of employers or plan sponsors in respect of the establishment and maintenance of a CAP;*
- ▶ *Fiduciary duties of employers in respect of minimum levels of initial and continuous disclosure to CAP members;*
- ▶ *Fiduciary duties of employers to provide appropriate investment decision-making tools to CAP members, either in the form of advice from a registered sales representative or advisor or by providing “appropriate” materials and assistance to employees which may require maintenance and review of “Know Your Client” profiles.*

▶ *Investment products or funds must comply with minimum standards.*

The paper also explicitly states:

“It is not proposed that plan administrators and employers would be held harmless for investment losses of members, if the principles were followed.”

OBTAINING THE QUESTIONNAIRE

Visit our website (www.heathlambert.ca) to download an electronic version of the questionnaire. Your completed questionnaire may then be e-mailed directly to pensions@heath.ca. Alternatively, we will be pleased to e-mail or fax the Questionnaire to you – simply fill in the request slip below and fax this page back to us.

QUESTIONNAIRE RESULTS

Heath Lambert Benefits Consulting will analyze and compile the responses to returned questionnaires. We will then prepare a commentary to be forwarded to the Joint Forum. A copy of our commentary will be posted on our website, and you can request your own copy by checking the box at the end of the Questionnaire and providing us with your name and address in the space for your commentary at the end of the Questionnaire.

Please remember; we need your completed Questionnaire as soon as possible in order to meet publication and submission deadlines.

GETTING MORE INFORMATION

Both the Joint Forum paper, “Proposed Regulatory Principles for Capital Accumulation Plans”, and the draft Ontario legislation package for the merger of the OSC and FSCO, under the title “Establishing a Single Financial Services Regulator: Consultation Draft”, can be accessed on the Internet at the following web address:

<http://www.fsco.gov.on.ca/> click on “What’s New?” near the top of the page.

IN CLOSING

It has been our purpose in this Special Edition of Talking Benefits to inform you of this important development and to encourage you to participate in the process. It is our hope, also, to help facilitate your involvement by providing you with access to our Questionnaire. Please take the time to visit our website, www.heathlambert.ca, download the Questionnaire and complete and return it to us. Or fax us your request for a Questionnaire.

FAX REQUEST FAX TO (604) 877-0325

Please send me a copy of the Questionnaire via:

FAX
 Attention: _____ (name, title)

Fax number: _____

E-MAIL: _____ (e-mail address)