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client name

[Company address]

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INTRODUCTION

The governance objective of the Plan Sponsor is to oversee the administration of the Plan, the investments of the plan and the education of members. The objective of the Plan is to assist members in building a retirement income through a tax effective savings vehicle.

This objective is intended to:

* Meet legal obligations;
* Minimize risks and maximize efficiencies;
* Promote accurate, timely and cost-effective delivery of pension benefits;
* Promote consistent administration of the plan, which is in the best interests of members and beneficiaries;
* Establish control mechanisms that encourage good decision-making, proper and efficient practices, clear accountability, and regular review and evaluation;
* Contribute to positive plan performance and demonstrate due diligence.

This Governance Policy sets forth the structures and processes which the Plan Sponsor must follow in overseeing, managing and administering the plan to meet this objective. This Governance Policy reflects and should be applied in a manner consistent with Applicable Legislation and related regulatory policies and guidelines applicable to pension plan administration and governance. This Policy serves as minimum requirements. If more stringent requirements have been established by the Applicable Legislation or in other Plan policies and procedures, such requirements shall prevail.

The Governance Policy will be reviewed every 3 years as part of the assessment of the administration of the Plan that is required by the Alberta Employment Pension Plans Act and Regulations (the “Applicable Legislation”), however the Plan Sponsor reserves the right to review the Governance Policy on a more frequent basis. The Governance Policy may be amended from time to time (ex. according to the mechanism for amendment specified in the authorizing resolution of the employer establishing the Plan). A well-constructed Governance Policy that is followed by the Plan and/or Sub-Group Administrator provides greater security and provides the Plan and/or Sub-group Administrator with a resource when questions of liability come into play,” (definition from Alberta’s interpretive guide).

In the event of a conflict between a provision of this Governance Policy and the Plan Text or supporting documents, the latter prevails unless the Plan text or supporting document provides otherwise.

# Definitions

For the purposes of this document, the following words, phrases and abbreviations are assigned below. All male

terms include the female and singular includes the plural unless otherwise stated.

“Applicable Legislation” Refers to applicable provincial pension legislation (name and define here ie: EPPA for Alberta) and regulations, as amended from time to time, including the Income Tax Act (Canada) and its implementation regulations as well as any other act or regulation governing the Plan.

“Consultant” means a company or other persons that may be appointed from time to time to provide strategic advice regarding plan design, communication and information for members and other matters affecting the Plan.

“Default Fund” means the fund designated by the Plan Sponsor into which a Plan Member’s contributions are directed in the absence of a stated investment choice by that Plan Member.

“EPPA” means the Alberta Employment Pension Plan Act and regulations.

“Fund” means the assets of the plan.

“Governance” means the process which determines who has power, who makes decisions, how other players make their voices heard and how accountability is achieved. In the establishment and maintenance of a Pension Plan, a properly operating governance structure is required given the implied trust and the fiduciary relationship between the Plan and/or Sub-Group Administrator and the Plan members.

“Group Annuity Policy”: means the contract of insurance issued by the Service Provider as the funding vehicle for the Plan.

“Pension Committee” means the Committee members whose roles and responsibilities are established in the “Committee Mandate/ Code of Conduct/ Conflict of Interest” document.

“Pension Plan”: means the Defined Contribution Pension Plan and is referred to by ‘Defined Contribution Pension Plan for \_\_\_\_\_\_\_\_\_\_\_\_\_ Employees’ (for example).

“Plan Administrator” means the person designated by the employer to carry out the responsibilities of the plan. The Company may designate a “Sub-Group Administrator” to assist the Plan Administrator with carrying out their responsibilities of the Plan.

“Plan Member” means an eligible person who has been enrolled in the Plan according to the rules of the Plan.

“Plan Sponsor”: means the administrator of the plan, which is the Company Name.

“Plan Text” means the text of the plan as amended from time to time.

“Segregated Fund”: A fund established by the Service Provider in accordance with the Insurance Companies Act (Canada) in which contributions to the Group Annuity Policy are invested and the assets of which are owned by the Service Provider and maintained as separate and distinct from the general assets of the Service Provider.

“Service Provider”: means to an external firm that performs tasks for the Plan Sponsor (ex. insurer).

“Service and Fee agreement” means the agreement entered into between the Plan Sponsor and the Service Provider, setting out the services to be provided and the fees to be charged. Service is provided by Service Provider.

“SIPP”: The Statement of Investment Policies & Procedures established by the Plan Sponsor to provide the framework for investment decisions to be made with respect to the plan is filed with the regulators and is amended from time to time.

# Duties and obligations of the plan sponsor

The Plan Sponsor must ensure that the Plan and the pension fund are administered in accordance with Applicable Legislation, the Plan text and this Governance Policy. Please note that these points are for your information of requirements however some items will be handled by the advisor, the insurance carrier, the Plan sponsor or a combination of all.

The Plan Sponsor performs the following duties:

* Provide Plan enrolment forms/processes, other administrative forms/processes, summaries of the Plan, and any other brochures or documentation required by Applicable Legislation to be provided to eligible Plan members or beneficiaries, as the case may be;
* Obtain the necessary personal information and keep the Plan members’ records up-to-date, with such data as the value of the contributions in their account, their years of service, and any other pertinent Plan member information;
* Adopt a Statement of Investment Policies and Procedures (SIPP) that meets the prescribed criteria and make investment decisions which comply with the SIPP and the law;
* Provide a sufficient number of investment options to Plan members which vary in degree of risk and expected return that would allow a reasonable and prudent person to create a portfolio of investments that is appropriate for retirement savings, and periodically review the available investment options;
* Establish a default investment to apply where a Plan member fails to provide direction that is either (i) a balanced fund, or (ii) a portfolio of investments that takes into account a member’s age;
* Prepare a summary of the contributions required to be made in respect of the Plan and provide the summary to the member within the prescribed periods;
* Ensure that the required member and employer contributions are paid into the pension fund within the prescribed period and report any overdue contributions to the insurance carrier for their submission to the Superintendent of Pensions;
* Provide to each Plan member an annual statement of benefits accumulated under the Plan, as well as any other statements or documents that may be stipulated by Applicable Legislation in various situations (Plan member’s termination of employment or membership, pre-retirement lump sum payments, retirement, shortened life expectancy withdrawals, death, marriage or relationship breakdown);
* In accordance with Applicable Legislation, provide access to prescribed information by allowing the member to examine the information in person or by providing to the member with a copy of the information;
* Calculate benefits in the event of termination of employment or membership, pre-retirement lump sum payments, retirement, non-residency, shortened life expectancy, death, marriage or relationship breakdown of a Plan member;
* Where an entitlement to Plan benefits exists, refund or transfer such benefits from the Plan fund within the prescribed period, ensuring that any agreement respecting the transfer of money or benefits between the Plan and any other pension plan is compliant with Applicable Legislation;
* Ensure that the Plan documents comply with Applicable Legislation and are filed with the appropriate government authorities within the prescribed period;
* Interpret the rules governing the administration of benefits under the terms of the Plan and establish administrative practices to ensure the application of these rules;
* Prepare amendments to the Plan text and ensure that they are registered with the appropriate government authorities;
* Ensure that all documents, reports and correspondence received concerning the Plan are duly processed and filed;
* Hire one or more Service Providers to act as fund holder and/or to perform certain tasks or duties as outlined in Appendix 1 in this Governance Policy;
* Review reports from Service Providers and delegates, in particular to ensure that they do not contain any obvious errors or any indication of specific problems;
* Review communications from Service Providers and regulatory authorities to become aware of changes or issues affecting the Plan and determine if any action is required to be taken;
* Prepare the Annual Information Return (AIR) and Financial Summary to be filed annually with the appropriate government authorities within the prescribed period;
* Prepare a written assessment of the administration of the Plan to be made available to the Superintendent of Pensions, upon request. The first assessment must be made within 365 days after the end of the 2nd fiscal year of the plan and after that, within 365 days after the end of each subsequent 3rd fiscal year of the plan. The assessment must cover, but is not limited to, the Plan’s compliance with Applicable Legislation, the Plan’s governance, the funding of the Plan, the investment of the Plan fund, the performance of any trustees, and the performance of the administrative staff and any agents of the Plan Sponsor;
* If another employer participates in the Plan, ensure that the employer enters into a written participation agreement which sets out the roles and responsibilities of the parties to the agreement and other prescribed information, file the agreement with the Superintendent of Pensions, and subsequently notify the Superintendent of any new participating employer or any participating employer which ceases to be a party to the agreement;
* Notify the Superintendent of Pensions immediately after becoming aware of the commencement of a proceeding against the employer under the Companies’ Creditors Arrangement Act (Canada), the Winding‑up and Restructuring Act (Canada) or similar provincial legislation, in relation to liquidation, receivership or secured creditor enforcement, or under the Bankruptcy and Insolvency Act (Canada); and;
* If the Plan is terminated, ensure that the Plan is wound up in accordance with Applicable Legislation.

# Rules governing decisions of the plan sponsor

* The rules presented here apply to the Plan Sponsor and every person who is an authorized representative of the Plan. While acting in the capacity of Plan Administrator so to with stands in a fiduciary capacity in relation to the Plan members, and any other persons entitled to benefits.
* In administering the Plan and investing the pension fund the Plan Sponsor must act with care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person in administering the Plan and in administering and investing the pension fund. It must also act with honesty, in good faith, in the best interests of the Plan members and beneficiaries and treating Plan members and beneficiaries impartially.
* In administering the Plan, the Plan Sponsor must interpret and execute the terms of the Plan text fairly, impartially and in good faith and in accordance with Applicable Legislation.
* The Plan Sponsor must make informed decisions based on its review of the information made available, in particular, reports from experts, Service Providers and delegates.
* In administering the Plan, the Plan Administrator(s) and Pension Committee members must abide by the Committee Mandate/ Code of Conduct/ Conflict of Interest internal document that is provided to them.

# Measures concerning risk management & Internal controls

The Plan Sponsor must identify situations which may involve financial risk or risk associated with administration of the Plan, such as but not limited to:

* Lack of understanding on the part of Plan members with regard to their Plan;
* Investment options made available to Plan members which do not allow for the creation of portfolios generally adapted to the needs of the Plan members taking into consideration their demographic profile;
* Contributions that are unpaid or lower than anticipated;
* Administrative errors;
* An unjustified increase to fees;
* Significant and repeated changes by a fund manager;
* Plan members having to postpone their retirement because of inappropriate investments; and
* Breach of personal and confidential information of Plan members or other persons entitled to Plan benefits.

The Plan Sponsor must determine which approaches and tools to use for the purpose of controlling risks. To that end, the Plan Sponsor may:

* Periodically check with Plan members on their understanding of the Plan and the effectiveness of communications;
* Consult a specialist for the purpose of developing a SIPP and offering a selection of investments to Plan members, or suggesting changes to existing investment options;
* Establish a procedure for tracking the performance of the investment options made available to Plan members;
* Establish a procedure for tracking the performance of Service Providers against the terms of a service agreement;
* Verify the percentage of Plan members who have invested in the default option or in a money market fund;
* Inquire into the operational practices followed by Service Providers to ensure the reliability of calculations, data and recordkeeping;
* Perform regular reconciliation of payments and disbursements using reports from the Service Providers and delegates;
* Ask Service Providers for confirmations of compliance and verify that the agreed-upon reports have been submitted;
* Verify whether the Service Provider, where applicable, is fulfilling the duties delegated to it;
* Develop administrative practices that ensure consistent application of the rules set out in the Plan, particularly Service Providers are performing tasks on the Plan Sponsor’s behalf;
* Diligently implement the appropriate measures when an error occurs and review procedures as needed;
* Seek an expert's opinion when questions of interpretation arise concerning Plan provisions; and
* Establish a privacy policy for the handling of personal and confidential information of Plan members and beneficiaries, and limit access to personal information to those persons who need to consult this information in order to perform their role in administering the Plan.

The Plan Sponsor must at least annually assess the probability and consequences of risks in order to identify those that call for immediate action and those that call for monitoring of the situation. Any risks identified as requiring monitoring or changes and/or any recommended action should be communicated to the group that the Plan Sponsor is accountable to for final decision.

# Records to be kept

The Plan Sponsor must keep or be able to provide access to the following records:

* This Governance Policy;
* Committee Mandate/ Code of Conduct/Conflict of Interest document;
* Annual CAP/CAPSA Governance Plan Checklist document which supports the decisions made on the Plan.
* Market Search reports which relate to the selection of Service Provider.
* The Plan text and amendments;
* Contracts with Service Providers;
* Administrative statements or documents containing information that is used to determine the Plan members’ benefits, investment options and beneficiary designations, and other documents pertaining to Plan members;
* The directives of the Plan Sponsor on the application of the provisions of the Plan text, which may include administration manuals;
* Bulletins and guidelines published by the regulatory authorities; and
* A conflict of interest register.

Where certain records are maintained by a Service Provider, the Plan Sponsor shall ensure that it is able to consult the records on a regular basis. In the event of a change of Service Provider, the Plan Sponsor shall request that the records be handed over to the Plan Sponsor or made accessible to the Plan Sponsor.

* Records are to be kept for the entire existence of the Plan and for a period of specify # (e.g., seven) years following liquidation, merger or division of the Plan unless otherwise stated in accordance to the retention policy applied by a Service Provider, where applicable.
* Records may be kept in paper or electronic format, according to the document storage methods in use by the Plan Sponsor and Service Providers. They are generally to be kept in the same place (i.e., in the office of the Plan Sponsor) unless they are kept by a Service Provider responsible for the recordkeeping of the Plan members’ accounts.
* The Plan Sponsor shall oversee document retention and give access to documents in accordance with the rules provided for by law.
* The Plan Sponsor, employer, fund holder and any other prescribed person who has within the person’s custody or control any record relating to the Plan must, subject to and in accordance with the regulations, retain the record or a copy of it in Canada.

# Rules governing the selection, remuneration, supervision and evaluation of Service Providers

If the Plan Sponsor employs a Service Provider to exercise certain powers or to perform certain duties of the Plan Sponsor, the Plan Sponsor must be satisfied that the Service Provider is qualified to exercise the powers or to perform the duties for which the Service Provider is engaged. In order to select a Service Provider, the Plan Sponsor shall:

* Identify needs and record them in writing; and
* If needed, proceed by means of a call for tenders that is public or by invitation.

The Plan Sponsor shall use the following criteria to evaluate the applications submitted by Service Providers:

* The quality of the services offered;
* Their ability to answer the Plan Sponsor’s questions;
* Their ability to explain technical concepts in plain language;
* Their support in the area of governance;
* The investment solutions offered, if applicable;
* The quality of communications to Plan members, if applicable;
* The experience and financial stability of the Service Provider, including references; and
* Verification concerning any legal action taken against the Service Provider.

The Plan Sponsor shall enter into:

* An investment contract or contracts for investment of Plan contributions; and
* Agreement or agreements relating to services and fees so as to have a clear understanding of the services being provided by, and the various fees payable to, Service Providers retained for the term specified in the agreement(s).

The Plan Sponsor shall ensure that the terms of all contracts and agreements are complied with by all parties and shall ensure that fees paid to Service Providers by the pension Plan fund or by the employer are in accordance with any applicable agreement.

The Plan Sponsor shall supervise and evaluate Service Providers on an annual basis with regard to the following:

* Compliance of the services rendered with the rules set out in the Canadian Association of Pension Supervisory Authorities (CAPSA) Capital Accumulation Plan Guidelines;
* Fees, charges and commissions in respect of the services rendered;
* The tools made available to Plan members, if applicable;
* Accuracy of information provided to the Plan Sponsor and Plan members;
* Complaints filed by Plan members; and
* Communications to Plan members.

# Standards governing the services rendered by the Plan Sponsor

The Plan Sponsor shall provide to Plan members the information they need to properly understand the Plan. In particular, it shall provide a summary of the Plan and any amendments to the Plan (as well as a notice, if applicable). With regard to the investments available in the Plan, it shall make the following available to Plan members:

* Glossaries explaining terms used in the investment industry;
* General information about how investment funds work;
* Information about investing in different types of securities (ex. equities and bonds);
* Information regarding the relative level of expected risk associated with different investment options;
* Performance reports for the investment options offered under the Plan; and
* Information about the various fees paid by the Plan members.

The Plan Sponsor shall provide Plan members with tools to assist them in making investment decisions, for example:

* Retirement planning models;
* Calculators and projection tools to help Plan members determine contribution levels and project future balances for their accounts; and
* Investor profile questionnaires.

The Plan Sponsor shall ensure that Plan members have access to the following services:

* The option to communicate with the Service Provider responsible for maintaining the Plan members’ accounts using various methods (call center, email or by mail);
* The service providers web site;
* Information sessions at least annually.

# Appendix 1

The Plan Sponsor may delegate certain duties. However, is still responsible for decisions made. All participants are shown below as well as their roles, responsibilities and accountabilities.

|  |  |
| --- | --- |
| **Participant** | **Duty** |
| **Plan Sponsor** | Determine plan provisions (ex. employer and member contribution rates).  |
|  | Ensure necessary amendments to the plan are made. |
|  | Ensure the plan is administered according to plan provisions and legislative requirements. (Review legislative updates from the Service Provider). |
|  | Hire the Service Provider. |
|  | Review the Service Provider’s performance. |
|  | Ensure standards for the Service Provider have been established and Plan Administrator confirms the Service Provider complies with the standards. |
|  | Ensure the plan provisions are applied correctly. |
|  | Ensure member satisfaction is monitored periodically. |
|  | Ensure the plan complies with legislative requirements. |
|  | Ensure the SIPP has been established and plan funds are invested in accordance with the SIPP. |
|  | Ensure the plan’s SIPP has been regularly reviewed and followed. |
|  | Ensure the investment performance has been monitored relative to benchmarks and appropriate action taken, if required. |
|  | Ensure the default fund established is either a balanced fund or a portfolio of investments that takes into account a member’s expected retirement date, like a target date fund |
| **Plan Administrator** | Deal with regulatory authorities regarding the plan. |
|  | Ensure contributions are submitted on time. |
|  | Send the employer’s required contributions to the Service Provider. |
|  | Deduct and send the members’ required contributions as well as any voluntary contributions to the Service Provider.  |
|  | Complete the schedule of expected pension contributions and submit it to the Service Provider.  |
|  | Interact with the Service Provider and members. |
|  | Complete the annual information returns and file them with the regulatory authorities on time. |
|  | Provide eligible employees with a member booklet. |
|  | Ensure eligible employees complete a membership application for the pension plan and send it to the Service Provider. |
|  | Provide entitled persons, who ask to review information related to the plan, with copies or a place to review the requested information. |
|  | Ensure there are a sufficient number of investment options and that they’re diversified and they have varying degrees of risk and expected rates of return, which will allow members to make prudent investment decisions.  |
|  | Ensure the default investment option is either a balanced fund or one which takes into account the member’s expected retirement date (such as a target date fund).  |
|  | Ensure there are no member complaints regarding the Plan Sponsor’s response to any of their concerns or questions. |
| **Service Provider** | Receive employer and member contributions. |
|  | Invest and maintain plan assets as instructed. |
|  | Maintain plan records in accordance with the records retention policy. |
|  | Pay members’ benefits accurately and in a timely manner. |
|  | Provide information to the office manager so that the annual information return can be completed. |
|  | Respond to members’ inquiries. |
|  | Provide investment information and decision-making tools to members. |
|  | Provide required statements to members as specified in the EPPA and in the service and fee agreement.  |

As well as the following duties:

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# The Benefits Alliance Group

Firm Name is a shareholder in the Benefits Alliance Group (BA). The BA brings the collective expertise and influence of member consulting firms to provide the best possible group insurance and group retirement program design and management. This organization enables each member firm to deliver superior value through combined market intelligence and the collective support and strength associated with membership.

BA’s 37 member firms and more than 80 advisors manage approximately $350 million in group insurance premiums and over $3 billion in retirement plan assets on behalf of over 4,000 employers across North America. BA’s scope ensures member clients receive the best advice at the best price.

Since 1993, significant changes in the insurance have industry resulted in fewer alternative providers, with three companies controlling over 75% of the marketplace.  Insurers have narrowed their market sources requiring brokers to limit their recommendations based on their access to insurance providers and creating more complex alternatives for employers. The need for qualified, expert advice is greater than ever.

