January 1, 2020

client name

[Company address]

Statement of investment policies & procedures (SIPP)

governance 2020

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# background and purpose

The purpose of the Statement of Investment Policies and Procedures (SIPP) is to formally document the investment policies and procedures for the Company Name Group Retirement Plan (the “Plan). The Plan is a Defined Contribution Plan and was established on January 1, 2020. The Plan is registered with Alberta Finance under the registration number 1234567 and is subject to the provisions of the Pension Benefits Act (Alberta) and the Income Tax Act (Canada). The Plan Sponsor will use this SIPP as a long-term planning and evaluation tool. Given that the investment marketplace, legislation and the Plan’s environment are dynamic, this SIPP may be revised or amended at any time.

# Objective of the Plan

The objective of the Plan is to assist members in building a retirement income through a tax effective savings vehicle. The accumulating of assets is dependent on the contributions made to the Plan and the rate of return achieved.

# Plan Sponsor Responsibilities

The Plan Sponsor has overall responsibility for the Plan and its overall management. They may, subject to the provisions of the Plan, engage the services of third parties such as the Service Provider or the Investment Managers. The objective of the Plan is to assist members in building a retirement income through a tax effective savings vehicle and thus requires the engagement of initiating third parties on a needs basis to assist the Plan Sponsor in operating the plan in the most optimal manner. The Plan Sponsor will review the Plan investment options at least annually.

# Duties of the Plan Sponsor (or its designate)

* Establish the Statement of Investment Policies and Procedures (SIPP).
* Periodically review the SIPP and amend it as needed.
* Select the investment options under the Plan, the Service Provider to issue the Group Annuity Policy and as necessary any other third party to provide services under the Plan.
* Review the Segregated Funds’ investment performance annually.
* Review the interest rates provided under the Guaranteed Funds annually.
* Review each Investment Manager annually, including the Investment Manager’s financial stability, staff turnover, consistency of investment style, and investment and regulatory compliance.
* Review the appropriateness of the default fund annually.
* Review the assets and cash flow of the Plan.

# Funding Structure

The Plan is funded by a Group Annuity Policy issued to the Company by the Service Provider. The Group Annuity Policy has been established to provide the funding instrument for the Plan and provides a series of Segregated Funds and Guaranteed Funds, if available, as investment options for the contributions made to the Plan. The Service Provider’s liability to the policyholder will be determined based on the performance of these investment options.

Typically, the holdings of the Segregated Funds are units of the Investment Manager’s Underlying Fund(s). Some Segregated Funds also hold physical securities of the type and amount determined in accordance with the SIPP of the Segregated Fund. The Service Provider establishes a contractual relationship with each Investment Manager so that they may purchase and redeem units of the Underlying Fund(s). In turn, the policyholder’s participation in the Segregated Funds is measured by notional units allocated to the policyholder or its members by the Service Provider.

The Guaranteed Funds, if available, represent a promise of the Service Provider and have claim against the Service Provider’s general assets. Guaranteed investment certificates (GICs), if available, are term deposits issued by the Service Provider under the terms of a Deposit Agreement.

# Investment Principles

Members bear the investment risk within the Plan. The investment policy is based on the “prudent person portfolio approach,” recognizing that risks that may be unsupportable for an individual investment may be suitable for a well-diversified portfolio. The appropriate asset mix for each member may vary depending on their circumstances, including their objectives, age, investment knowledge, tolerance for risk, other investments, and expectations for long-term returns.

The Plan Sponsor addresses these diverse needs by offering investment options of varying degrees of risk and expected return that would allow a reasonable and prudent member to create a portfolio of investments that is well adapted to their retirement needs. The Plan Sponsor believes that members should have access to both lower-fee passive fund options as well as active fund options with value-added potential. The availability of passive and active funds to members will vary by asset class based upon such factors as availability on the Service Provider’s investment platform, fees, member interest, and historical performance, among others.

# Selection of Investment Options

Both qualitative and quantitative attributes are considered in the selection by the Plan Sponsor of the Plan’s investment options, including investment objectives, strategies, risks, length of track record, historical performance, stability of the firm and key investment decision-makers, fees and liquidity.

## Authorized Investment Categories

The Plan makes available a range of asset classes with different risk and return profiles and diversification potential available to members. The selection of investment options offered by the Plan Sponsor reflects its view that higher risk investments are expected to generate higher returns in the long term than lower risk investments and that diversification can be used as a tool to mitigate portfolio risk.

The Plan Sponsor has also taken into consideration the merits of a passive and an active investment approach when selecting the funds offered to members. The breakdown of members by age group may vary considerably. Thus, the investment options and investment support tools provided by to members must enable everyone to make choices appropriate in their personal situation.

This would allow a reasonable and prudent member to create a portfolio of investments that is well adapted to their retirement needs. Asset classes have been selected keeping in mind the objective of the Plan and the diversity in demographics, return objectives, risk tolerance, and investment knowledge of members.

## Investment Options Offered Under the Plan

The following investment categories may be made available to members:

* Daily interest account;
* Guaranteed investments;
* Investment funds including target retirement & target risk portfolios; and
* Segregated funds in a range of different asset classes.

In recognition that offering too many investment fund choices may lead to member confusion and indecision, the Plan Sponsor believes that it must strike a balance between choice and ease-of-use, and has elected to make approximately 15 fund options available to members. The Plan Sponsor reserves the right to increase or decrease the number of investment fund options made available from time to time. The investment options offered to members is set out in Appendix A.

## Default Fund

In the event that a member does not make an active investment selection on their enrolment form or during such subsequent event which requires the member’s decision, the member’s contributions and those of the Plan Sponsor’s (if applicable) plus investment earnings thereon, will be directed in their entirety to the Segregated Fund or Investment Portfolio identified in Appendix A as the default fund. The Plan Sponsor reserves the right to remove an existing default fund, and select a new investment option as the default fund from time to time. Upon the removal of a default fund, the Plan Sponsor reserves the right to transfer the member’s account balance to the newly selected default fund in the event that the member has not made an election in respect of his or her account balance.

## Investment Fund Management Fees

Details on investment fund management fees are available on the secure website of the Service Provider as established in the funding agreement between the Plan Sponsor and the Service Provider.

The Plan Sponsor has elected to pay an annual fee per member to the Service Provider in order to reduce member fund management charges. The Plan Sponsor pays various Plan expenses to maintain the Plan, including the engagement of various third-party service providers. Investment fund management, operating and distribution fees, in addition to all applicable taxes, are deducted directly from the funds or from the members’ accounts. Members may also incur additional fees or penalties for certain transactions such as asset transfers and withdrawals. The Plan Sponsor reviews the fund management charges and other fees and Plan expenses every 3-5 years.

# Performance Objective

The performance objective varies according to each member and depends on the member’s stage in the life cycle. The investment fund performance, the expected rate of return of each fund, the reference index and its performance as well as the risk associated with the investment options is always available on the Investment Provider’s website. Investment fund performance information will also be sent to members on an annual basis.

The return on investment funds is linked to financial market performance and is therefore not guaranteed. Furthermore, an investment fund’s past performance is not an indicator of its future performance. Money invested in guaranteed investments grows at a guaranteed fixed interest rate for a determined term. If a withdrawal be made before the end of the term, a market value adjustment may be applied. At the end of the term, unless the member provides instructions to the contrary, the money is re-invested in a guaranteed investment with the same term.

# Monitoring of Plan Investment Options

The Plan Sponsor will review the Plan investment options at least annually. The criteria used to evaluate each investment option will primarily derive from the criteria used to select each investment option, as outlined above.

The Plan Sponsor will have access to monthly and quarterly investment performance reporting via the Service Provider’s website. Each Segregated Fund offered under the Plan is expected to achieve a rate of return comparable to the Underlying Fund and that is at least equal to the return of the comparable benchmark or market index return over a four-year period plus an added value for active management, if applicable.

The investment rate of return of a Segregated Fund that invests wholly in units of an Underlying Fund will be similar to that of the corresponding Underlying Fund, within a small variance for administrative practices and Segregated Fund operating expenses. In assessing the investment performance, the Plan Sponsor will consider that administrative practices regarding the flow of funds between the Segregated Fund and the Underlying Fund may cause the investment rate of return of the Segregated Fund to be higher or lower than that of the Underlying Fund.

Where appropriate, the investment performance of the Underlying Fund will be measured by reference to other investment alternatives in the same or substantially similar investment asset class (i.e. peer group performance). The Plan Sponsor will review the interest rates provided under the Guaranteed Funds and/or GIC’s to ensure that they are competitive with those offered by financial institutions of similar investment quality as the Service Provider for similar terms.

The Plan Sponsor will determine an appropriate course of action if the performance objectives are not met during the period under review. The course of action may vary depending on the reason for the underperformance, as well as the duration and significance of the underperformance, and may range from maintaining the status quo to removing the investment option.

# Removal of a Plan Investment Option

Reasons for considering the removal of a Plan investment option include, but are not limited to, the following factors:

* Lack of acceptance or sharp decline in use by Plan members;
* Complaints received from members that are deemed by the Plan Sponsor to be legitimate.
* Investment performance;
* Change in the Investment Manager’s personnel, firm structure, investment process, or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio;
* Failure by the Investment Manager to comply with the Underlying Fund Documents, the SIPP, and regulatory requirements during the compliance period under review;
* Inconsistency with this SIPP, such that the terms of this SIPP do not align with the Underlying Fund Documents or the SIPP, in which case the Plan Sponsor will either modify the SIPP or remove the investment option; or
* Changes in the Income Tax Act and/or related laws that make continued use of the fund unsuitable.

In contemplating removal of a Plan investment option, the Plan Sponsor will consider the length of time that the situation of concern has existed, the impact on members of such removal (e.g. tax consequences), the diversification of remaining investment options, and the availability of suitable replacement investment options.

# Appendix A

|  |  |
| --- | --- |
| **Fund Category** | **Funds** |
| **Default Fund** | DIA, 1 year, 3 year & 5 years |
| **Guaranteed Term** |  |
| **Target Risk Funds** |  |
|  |  |
|  |  |
|  |  |
|  |  |
| **Target Date Funds** |  |
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|  |  |
| **Money Market** |  |
| **Fixed Income** |  |
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| **Balanced** |  |
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| **Canadian Equity** |  |
|  |  |
|  |  |
|  |  |
| **Canadian Small Cap** |  |
| **US Equity** |  |
|  |  |
| **International Equity** |  |
|  |  |
| **Global Equity** |  |
|  |  |
| **Special Equity** |  |

# 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.

