Joint Forum of Financial Market Regulators

Forum conjoint des autorités de réglementation du marché financier

Guidelines for Capital Accumulation Plans

May 28, 2004

5160 Yonge Street, Box 85, 17th Floor, North York, ON M2N 6L9 Telephone: 416-590-7054; Facsimile: 416-590-7070
www.jointforum-forumconjoint.ca

TABLE OF CONTENTS

Section 1: Introduction 1
1.1 - Definitions 1
1.2 - The Purpose of the Guidelines 1
1.3 - Implications for the CAP Sponsor, Service Providers, and CAP Members 2

Section 2: Setting Up a CAP 3
2.1 - General 3
2.2 - Investment Options 4
2.3 - Maintenance of Records 5

Section 3: Investment Information and Decision-Making Tools for CAP Members 6
3.1 - General 6
3.2 - Investment Information 6
3.3 - Investment Decision-Making Tools 6
3.4 - Investment Advice 7

Section 4: Introducing the Capital Accumulation Plan to CAP Members 8
4.1 - General 8
4.2 - Investment Options 8
4.3 - Transfer Options 9
4.4 - Description of Fees, Expenses and Penalties 10
4.5 - Additional Information 10

Section 5: Ongoing Communication to Members 11
5.1 - Member Statements 11
5.2 - Access to Information 11
5.3 - Performance Reports for Investment Funds 13

Section 6: Maintaining a CAP 14
6.1 - Reviewing Service Providers 14
6.2 - Reviewing Service Providers who Provide Investment Advice 14
6.3 - Reviewing Investment Options 14
6.4 - Reviewing Maintenance of Records 15
6.5 - Reviewing Decision-Making Tools 15

Section 7: Termination 16
7.1 - Terminating a CAP 16
7.2 - Terminating a CAP Member's Participation in the Plan 16

SECTION 1: INTRODUCTION

These guidelines reflect the expectations of regulators regarding the operation of a capital accumulation plan, regardless of the regulatory regime applicable to the plan. They are intended to support the continuous improvement and development of industry practices. Shaded text within the document is included as elaboration and clarification of the guidelines for the purpose of assisting the user.

1.1 - DEFINITIONS

1.1.1 Capital Accumulation Plan

In these guidelines, a capital accumulation plan (CAP or plan) is a tax assisted investment or savings plan that permits the members of the CAP to make investment decisions among two or more options offered within the plan. A CAP may be established by an employer, trade union, association or any combination of these entities for the benefit of its employees or members.

> Examples of a CAP may include a defined contribution registered pension plan; a group registered retirement savings plan or registered education savings plan; and a deferred profit sharing plan.

1.1.2 CAP Sponsors

In these guidelines, the employers, trade unions, associations or combinations of these entities that establish CAPs are referred to as "CAP sponsors".

If the CAP is a registered pension plan, many of the responsibilities of the CAP sponsor described in these guidelines are those of a pension plan administrator. In such cases, these guidelines should be interpreted considering the different roles of employers and pension plan administrators under applicable pension benefits standards legislation.

1.1.3 Service Providers

In these guidelines, "service providers" include any provider of services or advice required by the CAP sponsor in the design, establishment and operation of a CAP.

1.1.4 CAP Members

In these guidelines, "CAP members" are individuals who have assets in a CAP.

> These individuals may include active or former employees; trade union or association members; and in certain cases, their spouses or common law partners.

1.1.5 Investment Funds

In these guidelines, an "investment fund" means a mutual fund, pooled fund, segregated fund or similar pooled investment product.

1.2 - THE INTENT OF THE GUIDELINES

The intent of these guidelines is to:

- outline and clarify the rights and responsibilities of CAP sponsors, service providers and CAP members; and,
- ensure that CAP members are provided the information and assistance that they need to make investment decisions in a capital accumulation plan.

1.2.1 Application of the Guidelines

These guidelines apply to all capital accumulation plans and supplement any legal requirements applicable to these plans. They do not replace any legislative requirements.

CAP sponsors are responsible for meeting any applicable legal requirements, including any requirements that may extend beyond the scope of these guidelines.

1.3 - IMPLICATIONS FOR THE CAP SPONSOR, SERVICE PROVIDERS, AND CAP MEMBERS

1.3.1 The CAP Sponsor

When CAP sponsors decide to establish a plan, they assume certain responsibilities in their role as CAP sponsor. CAP sponsors may delegate their responsibilities within a CAP to a service provider.

The CAP sponsor is responsible for:

- setting up the plan;
- providing investment information and decision-making tools to CAP members;
- introducing the plan to members;
- providing on-going communication to members;
- maintaining the plan; and,
- ensuring that termination of the plan or the membership of an individual within the plan is done in accordance with the terms of the CAP.

Many of the responsibilities of the CAP sponsor relate to the provision of information and documents to CAP members. Information and documentation that the CAP sponsor provides to CAP members should be prepared using plain language and in a format that assists in readability and comprehension.

The CAP sponsor should ensure that decisions about establishing and maintaining the plan and information about how those decisions are made, are properly documented and that the documents are retained.

1.3.2 Service Providers

To the extent that the responsibilities of the CAP sponsor are delegated to a service provider, the service provider is responsible for following these guidelines and any applicable legal requirements.

Service providers engaged by the CAP sponsor should have the appropriate level of knowledge and skill to perform the tasks delegated and to provide any advice within their area of expertise requested by the CAP sponsor.

1.3.3 CAP Members

CAP members are responsible for making investment decisions within the plan and for using the information and decision-making tools made available to assist them in making those decisions.

Examples of decisions made by CAP members include:

- how much to contribute (where the member can make this choice);
- how much they should contribute to any particular investment option; and,
- whether an investment in a particular option should be moved to another option.

CAP members should also consider obtaining investment advice from an appropriately qualified individual in addition to using any information or tools the CAP sponsor may provide.

SECTION 2: SETTING UP A CAP

2.1 - GENERAL

2.1.1 Defining the Purpose of a CAP

CAP sponsors should clearly define and document why the capital accumulation plan is being established. The terms of the plan should be consistent with its purpose and what CAP members are told.

Some of the purposes for which a CAP sponsor may establish a capital accumulation plan are:

- retirement savings;
- tax efficient compensation;
- profit sharing; and,
- savings for other financial goals such as education, home purchase, etc.

If the CAP sponsor decides to modify the purpose of a capital accumulation plan, the modified terms of the plan should be consistent with the modified purpose of the CAP.

The decision to change the purpose of the plan and the modified purpose of the plan should be documented. Information on the decision and the impact the decision will have on CAP members should be provided to the members before the decision takes effect.

2.1.2 Deciding whether to use Service Providers

The CAP sponsor should decide if it has the necessary knowledge and skills to carry out the responsibilities set out in these guidelines and all relevant legal requirements. The CAP sponsor should also decide whether and how service providers should be used.

Where the CAP sponsor does not have the necessary knowledge and skills to carry out its responsibilities, service providers should be used.

2.1.3 Selecting Service Providers

The CAP sponsor should establish criteria for the selection of service providers and use these criteria to select any service providers it engages.

Factors for the CAP sponsor to consider when establishing criteria for selecting service providers may include:

- professional training;
- experience;
- specialization in the type of service to be provided;
- cost of the service;
- understanding of employee benefits, pension legislation and other related rules;
- consistency of service offered in all geographical areas in which members reside; and,
- quality, level and continuity of services offered.

Where the CAP sponsor delegates responsibilities to a service provider, the CAP sponsor should ensure that the applicable roles and responsibilities of the CAP sponsor and service provider are carefully documented.

2.2 - INVESTMENT OPTIONS

2.2.1 Selecting Investment Options

The CAP sponsor should select investment options to be made available in the plan. The investment options for CAPs may be limited by legislation. CAP sponsors must comply with all applicable legislative requirements when choosing investment options.

Examples of investment options include:

- investment funds;
- guaranteed investment certificates (GICs);
- annuity contracts;
- employer securities;
- government securities;
- other securities; and,
- cash.

The CAP sponsor should ensure a range of investment options is made available taking into consideration the purpose of the CAP.

In some cases the choice of a service provider will define or limit the type of investment options available to a plan.

Factors a CAP sponsor should consider when choosing investment options, including any default option that may be selected by the CAP sponsor (see Section 2.2.4), include:

- the purpose of the CAP;
- the number of investment options to be made available;
- the fees associated with the investment options;
- the CAP sponsor's ability to periodically review the options;
- the diversity and demographics of CAP members;
- the degree of diversification among the investment options to be made available to members;
- the liquidity of the investment options; and,
- the level of risk associated with the investment options.

The degree of diversification and liquidity, and the level of risk associated with the investment options are particularly relevant for capital accumulation plans that are established for retirement purposes.

2.2.2 Selecting Investment Funds

If the investment options chosen by the CAP sponsor include investment funds, the following factors should also be taken into account when selecting the funds that are to be made available:

- the attributes of the investment funds such as the investment objectives, investment strategies, investment risks, the manager(s), historical performance, and fees; and,
- whether the investment fund(s) selected provide CAP members with options that are diversified in their styles and objectives.

If investment funds are offered in a CAP that is a registered pension plan, the funds must comply with the investment rules under applicable pension benefits standards legislation.

If the investment fund is a mutual fund under securities law, the funds must comply with the investment rules that govern conventional public mutual funds.

As at the date of publication, if the investment fund is a mutual fund, it must comply with the investment rules under National Instrument 81-102 Mutual Funds.

If the investment fund is an insurance product, the funds must comply with:

- the investment rules applicable to individual variable insurance contracts; or
- the investment rules that govern conventional public mutual funds; or
- the investment rules under applicable pension benefits standards legislation.

2.2.3 Transfers Among Investment Options

CAP members should be allowed reasonable opportunities to transfer among the investment options available in the plan. Administrative costs incurred in making the transfer may be charged to members.

The CAP sponsor may restrict the number of transfers a member can make, but members should have an opportunity to transfer among options on at least a quarterly basis.

Factors for the CAP sponsor to consider when determining how often CAP members can make transfers among investment options may include:

- the purpose of the CAP;
- the liquidity of investment options;
- the number of options that are available; and,
- the risks associated with the investment options.

Restrictions on the number of transfers each individual member can make might be appropriate to limit costs borne by the CAP sponsor or collectively by all members, for transfers by individual members. Restrictions may include limiting the number of transfers by members or imposing fees if the established limit is exceeded.

2.2.4 Policy Regarding Failure to Make Investment Choices

The CAP sponsor should establish a policy that outlines what happens if a CAP member does not make an investment choice. The policy should be provided to the member before any action is taken under the policy.

The policy may involve setting a default option to be applied if a member does not make an investment choice within a given period of time. If the policy includes imposing a default option, the CAP sponsor should provide the member with information about the default option (see Section 4.2) when the policy is provided.

2.3 – MAINTENANCE OF RECORDS

The CAP sponsor should prepare and maintain the records of the CAP, either internally or through a service provider. The CAP sponsor should also establish a document retention policy for the plan.

The contents of a document retention policy include:

- a description of the types of documents to be retained;
- how long various types of documents should be retained; and,
- who can access the documents.

SECTION 3: INVESTMENT INFORMATION AND DECISION-MAKING TOOLS FOR CAP MEMBERS

The CAP sponsor should provide investment information and decision-making tools to assist CAP members in making investment decisions in the plan.

Costs associated with basic investment information or decision-making tools should be structured so that there is no disincentive for members to use them.

3.1 - GENERAL

To decide which types of information and decision-making tools to provide to CAP members, the CAP sponsor should consider:

- the purpose of the plan;
- what types of decisions members must make;
- cost of the information and decision-making tools;
- the location, diversity and demographics of the members; and,
- the members' access to computers and the internet.

For example, members of a retirement plan should be provided with information and tools that focus on retirement planning.

Information, decision-making tools and guidance provided by the CAP sponsor need not address the entire financial circumstances and planning needs of the CAP member.

3.2 - INVESTMENT INFORMATION

The CAP sponsor should provide CAP members with investment information to assist the members in making investment decisions within the plan.

Examples of investment information include:

- glossaries explaining terms used in the investment industry;
- information about how investment funds work;
- information about investing in different types of securities (e.g., equities, bonds);
- information regarding the relative level of expected risk and return associated with different investment options;
- product guides; and,
- performance reports for any investment funds offered in the CAP.

3.3 - INVESTMENT DECISION-MAKING TOOLS

The CAP sponsor should provide CAP members with investment decision-making tools to assist the members in making investment decisions within the plan.

Examples of decision-making tools include:

- asset allocation models;
- retirement planning tools (if applicable);
- calculators and projection tools to help members determine contribution levels and project future balances; and,
- investor profile questionnaires.

3.4 - INVESTMENT ADVICE

In addition to providing investment information and decision-making tools, a CAP sponsor may choose to enter into an arrangement with a service provider, or refer the members to a service provider, who can provide the members with advice about their investment decisions.

3.4.1 Selecting Service Providers to Provide Investment Advice

If the CAP sponsor chooses to enter into an arrangement with a service provider, or to refer CAP members to a service provider, who can provide investment advice to the members, the CAP sponsor should establish criteria to be used in selecting the service provider and use the criteria to select the service provider.

Factors for the CAP sponsor to consider when establishing criteria for selecting service providers to provide investment advice to members include:

- the criteria used to select service providers generally;
- any real or perceived lack of independence of the service provider relative to other service providers, the CAP sponsor and its members;
- any legal requirements that individuals must meet before they can provide investment advice; and,
- any complaints filed against the advisor or his or her firm and any disciplinary actions taken (if known).

SECTION 4: INTRODUCING THE CAPITAL ACCUMULATION PLAN TO CAP MEMBERS

When an individual becomes eligible to enrol in a capital accumulation plan, the CAP sponsor should provide information regarding the purpose of the plan and the information outlined in this section.

4.1 - GENERAL

4.1.1 Information on the Nature and Features of the CAP

The CAP sponsor should provide CAP members with current information on the nature and features of the plan.

Information provided to CAP members should include:

- contribution levels (if applicable);
- investment options available, how to choose investments, how choices can be changed, and how long it will take for choices to be implemented;
- the policy regarding failure to make investment choices (see Section 2.2.4) and,
- names of service providers with whom CAP members interact, if applicable.

4.1.2 Outlining the Rights and Responsibilities of CAP Members

The CAP sponsor should provide CAP members with information outlining their rights and responsibilities under the CAP.

Information provided to members should include:

- members' right to access information about the nature and features of the plan;
- members' right to request paper copies of their member statements if the statement is normally provided in another format (see Section 5.1);
- members' responsibility for making investment decisions and that those decisions will affect the amount of money accumulated in the plan;
- members' responsibility for informing themselves about the plan, using the documents, information and tools available to them; and,
- the recommendation that members ought to obtain investment advice from an appropriately qualified individual, in addition to using any information or tools the CAP sponsor may provide.

4.2 - INVESTMENT OPTIONS

The CAP sponsor should provide CAP members with sufficient detail about the investment options available in the plan so they can make informed investment decisions.

4.2.1 Investment Funds

For each investment fund that is an investment option available in the plan, the CAP sponsor should provide CAP members with the following information:

- the name of the investment fund;
- names of all investment management companies responsible for the day-to-day management of fund assets;
- the investment objective of the fund;
- the types of investments the fund may hold;
- a description of the risks associated with investing in the fund;
- where a member can obtain more information about the fund's portfolio holdings, and other detailed disclosure about the fund; and,
- whether the fund is considered foreign property for income tax purposes and if so, a

summary of the implications of that status for a member who invested in the fund.

4.2.2 Employer Securities

When securities of the employer or a related party of the employer are included as an investment option in the plan, the CAP sponsor should provide at least the following information to CAP members:

- name of the issuer and the security;
- relationship between issuer and employer - if the issuer of the security is different from the employer of the CAP members, a description of the relationship between the issuer and the employer should be provided;
- risks associated with investing in a single security; and,
- whether the security is considered foreign property and, if so, the implications for members.

4.2.3 Other Investment Options

When investment options other than investment funds or employer securities are included as investment options in the plan, the CAP sponsor should provide the following information to CAP members:

- a description of the investment including its name;
- the type of investment;
- the investment objective;
- risks associated with the option; and,
- whether the option is considered foreign property and, if so, the implications for members.

4.3 - TRANSFER OPTIONS

The CAP sponsor should provide CAP members with information about how to make transfers among investment options. This information should include:

- any forms that are required and where they must be sent;
- whether there are other methods available for making transfers (for example, on the website provided by a service provider);
- any costs that may be incurred for transferring among options; and,
- any restrictions on the number of transfers among options a member is permitted to make within a given period, including any maximum limit after which a fee would be applied.

The CAP sponsor should provide CAP members with a description of possible situations where transfer options may be suspended. In the event of a suspension, the CAP sponsor should provide CAP members with the reason why transfers will be suspended and details on the restrictions associated with the suspension should be provided before the suspension occurs (where possible).

Examples of situations where the CAP sponsor may temporarily suspend transfers are where:

- investment options are being changed by the CAP sponsor;
- a service provider is being changed by the CAP sponsor; or,
- there are changes at the existing service provider (e.g., introduction of new systems).

4.4 - DESCRIPTION OF FEES, EXPENSES AND PENALTIES

The CAP sponsor should provide CAP members with the description and amount of all fees, expenses and penalties relating to the plan that are borne by the members, including:

- any costs that must be paid when investments are bought or sold;
- costs associated with accessing or using any of the investment information, decision-making tools or investment advice provided by the CAP sponsor;
- investment fund management fees;
- investment fund operating expenses;
- record keeping fees;
- any costs for transferring among investment options (including penalties, book and market value adjustments, tax consequences);
- account fees; and,
- fees for services provided by service providers.

Investment fund operating expenses include audit, legal and custodial fees, cost of financial statements and other reports or filings, taxes, transfer agency fees, pricing and bookkeeping fees.

Where appropriate, these fees, expenses and penalties may be disclosed on an aggregate basis, provided the nature of the fees, expenses and penalties is disclosed. Where fees, expenses and penalties are incurred by members by virtue of member choices (e.g., transfer fees, additional investment information or tools, etc.) such fees, expenses and penalties should not be aggregated.

4.5 - ADDITIONAL INFORMATION

The CAP sponsor should provide the CAP members with an outline of how they can access additional information related to the plan and a description of the type of information that is available.

SECTION 5: ONGOING COMMUNICATION TO MEMBERS

The CAP sponsor should regularly provide CAP members with information on their CAP account and the performance of the investment funds available in the plan. The CAP sponsor should also provide access to additional information upon the request of members.

5.1 - MEMBER STATEMENTS

The CAP sponsor should provide CAP members with a statement of their CAP account at least annually. Paper copies of the statement should be available to members upon request if another format is standard.

The member statement should include:

- summary of investments - listing of the investments by option type (e.g., investment funds, other securities, GICs);
- investment activity - the opening balance, contributions, withdrawals, net change in the value of the investments and closing balance;
- investment funds – name of fund, number of units, value of each unit, total investment value, per cent of total investments;
- summary of transactions; and,
- how to get specific information on each investment option, fees and expenses, transaction details, transfer options, and other information.

If a statement includes the calculation of a personal rate of return for CAP members, the method used to produce the calculation should be described, along with information about where the members can get a more detailed explanation of the calculation (if it is not shown on the statement). A personal rate of return should also be distinguished from any rate of return for an investment option (e.g., investment fund rate of return) disclosed in the statement.

5.2 - ACCESS TO INFORMATION

5.2.1 Other information available to CAP members

The CAP sponsor should provide members with access to additional information regarding their CAP account.

If not included in the member statement, the following information should be made available to CAP members upon request:

- details on investment funds – where to get fund holdings, financial statements and continuous disclosure information for each investment fund;
- transaction details - investment description: date of transaction, transaction type (e.g., inter-fund transfer), amount, unit value (if applicable), units purchased or withdrawn;
- details on GICs and other fixed term investment options such as term of investment, date of maturity, interest rate, current book value plus accrued interest;
- details on each of the other investment options (see Section 4.2);
- contribution details - option description, percentage of contribution to be allocated to option, type of contribution (member voluntary, member required, employer, transfer in);

- details on fees and expenses (see Section 4.4); and,
- information on transfer options (see Section 4.3).

5.2.2 Report on Significant Changes in Investment Options

The CAP sponsor should provide advance notice to CAP members when there are significant changes in investment options.

The notice to members should include:

- the effective date of the change;
- a brief description of the change and the reasons for the change;
- how the change could affect the member's holdings in the plan (e.g., if the change affects the level of risk of an investment option, this should be described);
- the manner in which assets will be allocated to new investment options (where applicable);
- details of any penalties or special transaction fees that may apply to the change;
- a summary of the tax consequences that may arise as a result of the change;
- where to get more detailed information about the change;
- details on what the members must do (if action is required) and the consequences of not taking action; and,
- a reminder to the members to evaluate the impact of the change on their current holdings in the plan.

Significant changes in investment options include:

- changes to the nature or operation of existing investment options, including the method of making transfers;
- adding investment options;
- removing or replacing investment options;
- changes in fees and expenses (the expected or actual level of fees and expenses associated with an investment option or ongoing administration and record keeping that are paid by CAP members); or,
- change in service provider.

5.2.3 Adding an Investment Option

If an investment option is added, the CAP sponsor should provide CAP members with the information listed in Section 4.2 and the information about transfer options in Section 4.3. Members should also be informed of the date when the new investment option will be available.

5.2.4 Removing or Replacing an Investment Option

If an investment option is removed, the CAP sponsor should provide CAP members with information regarding what must be done with their investments in that option. Information on any deadlines for member action and how assets will be allocated to new investment options in the event that the member takes no action, should also be provided.

If an investment option is replaced, information about the impact of liquidating one investment option and re-investing in a replacement investment option should be provided.

Examples of information to be provided include: market value adjustments, early withdrawal penalties, tax consequences, and transaction fees.

5.3 - PERFORMANCE REPORTS FOR INVESTMENT FUNDS

The CAP sponsor should provide performance reports for each investment fund to the CAP member at least annually.

The performance report for each investment fund should include:

- the name of the investment fund for which performance is being reported;
- if there is one, the name and description of the benchmark for the investment fund (if the benchmark is permitted by law to be composed of several indices, this should be explained);

For example, the S&P/TSX Composite Index for a Canadian Equity Fund.

- if used, corresponding returns for the benchmarks;
- the performance of the fund, including historical performance for one, three, five and 10 years if available;
- whether the investment performance is gross or net of investment management fees and fund expenses;
- identification of the method used to calculate the fund performance return calculation, along with directions on where to find a more detailed explanation; and,
- a statement that past performance of a fund is not necessarily an indication of future performance.

SECTION 6: MAINTAINING A CAP

The CAP sponsor should periodically review all service providers it engages, investment options available in the plan, records maintenance, and decision-making tools provided to members.

6.1 - REVIEWING SERVICE PROVIDERS

The CAP sponsor should establish criteria for the periodic review of service providers and use these criteria to review the service providers it engages.

Factors for the CAP sponsor to consider when establishing criteria for the periodic review of service providers include:

- the criteria used to select the service provider; and
- the frequency and/or triggering events for the review.

If a service provider fails to meet the criteria established, the CAP sponsor should decide what action to take.

Factors for the CAP sponsor to consider when deciding on what action to take include:

- the length of time the criteria have not been met;
- any complaints arising from the members (where applicable);
- the effect that taking such action would have on the members; and,
- the availability of alternative service providers.

6.2 - REVIEWING SERVICE PROVIDERS WHO PROVIDE INVESTMENT ADVICE

Where applicable, a CAP sponsor should periodically review service providers with whom the CAP sponsor has an arrangement or to whom the CAP sponsor has referred CAP members to help them make their investment decisions. As with other service providers, the CAP sponsor should establish criteria for the periodic review and use these criteria to conduct the review

Because the primary relationship of a service provider who provides investment advice is with each member, it will not be possible or practical for the CAP sponsor to directly review the quality of the advice being provided.

Factors for the CAP sponsor to consider when establishing criteria for the periodic review of service providers include:

- criteria used to select the service provider;
- any complaints arising from the members; and,
- any complaints arising from the CAP sponsor or other service providers employed by the CAP sponsor.

6.3 - REVIEWING INVESTMENT OPTIONS

The CAP sponsor should establish criteria for the periodic review of each of the investment options in the plan. Review of the investment options should be conducted at least annually.

Factors for the CAP sponsor to consider when establishing criteria for the periodic review of investment options include:

- the criteria used to select the investment options; and
- the frequency and/or triggering events for the review.

If an investment option no longer meets the criteria used for reviewing the option, the CAP sponsor should decide what action to take.

Factors for the CAP sponsor to consider when deciding on what action to take include:

- the length of time the criteria have not been met;
- any other deficiencies in how the investment option operates;
- any complaints arising from the members;
- the effect taking such action would have on the members (e.g., whether there would be tax consequences);
- remaining investment options available in the CAP; and,
- the availability of equivalent investment options.

6.4 - REVIEWING MAINTENANCE OF RECORDS

The CAP sponsor should periodically review how well the plan's records are maintained.

If the records are maintained internally, quality may be reviewed by:

- reviewing CAP members' complaints about the records; and
- periodic audit; or,
- review by a service provider.

If a service provider maintains the records, quality may be reviewed by:

- reviewing the members' complaints about the records; and,
- periodic audit; or
- requiring an annual certification regarding the appropriateness of the controls, processes and systems employed; or,
- review by an unrelated service provider.

The CAP sponsor should promptly take any corrective action required as a result of the review.

6.5 - REVIEWING DECISION-MAKING TOOLS

The CAP sponsor should periodically review any decision-making tools provided to CAP members or that the members are encouraged to use.

Factors for the CAP sponsor to consider when periodically reviewing decision-making tools include:

- the purpose of the plan;
- what types of decisions members must make;
- cost of the decision-making tools;
- the location, diversity and demographics of the members; and,
- the members' access to computers and the internet.

The CAP sponsor should make any changes required in the decision-making tools as a result of the review.

SECTION 7: TERMINATION

7.1 - TERMINATING A CAP

The termination of a CAP should be done in accordance with the terms of the plan and any applicable legal requirements.

7.1.1 Communicating the Termination of a Plan to CAP Members

If a capital accumulation plan is terminated, the CAP sponsor should promptly provide information to CAP members regarding:

- the options available to each member;
- any actions that are required in respect of the members' options;
- any deadlines for member action;
- the manner in which assets will be liquidated or distributed;
- any default options that may apply if no action is taken; and,
- the impact termination of the plan will have on each investment option.

> Examples of the impact of the termination of the plan may include tax consequences, any market value adjustments, early withdrawal penalties or associated fees.

7.2 - TERMINATING A CAP MEMBER'S PARTICIPATION IN THE PLAN

The termination of a CAP member's participation in the CAP should be done in accordance with the terms of the plan and any applicable legislative requirements.

7.2.1 Communicating to CAP Members on Termination of Participation

If a CAP member terminates from a plan (e.g., because of termination of employment, retirement or death), the CAP sponsor should provide information about:

- the options available to the member;
- any actions the member must take;
- any deadlines for member action;
- any default options that may be applied if no action is taken; and,
- the impact that the termination of plan membership will have on each investment option

> Examples of the impact of the termination of plan membership may include tax consequences, any market value adjustments, early withdrawal penalties or associated fees.

In the event that a CAP member dies and ceases to participate in the plan, this information should be provided to the member's designated beneficiary or personal representative.