

CAPSA
PENSION GOVERNANCE IMPLEMENTATION TOOL

DRAFT FOR COMMENT

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Appendix A

CAPSA Pension Governance Implementation Tool

INTRODUCTION

The *CAPSA Pension Governance Implementation Tool* (the “Tool”) has been prepared to help pension plans adopt the best practices found in the *CAPSA Pension Governance Guideline*. The Tool addresses the implementation of good governance principles for all types and sizes of pension plans, and contains particular recommendations for defined contribution plans, member-directed defined contribution plans, negotiated pension plans, jointly-trusted plans, multi-employer plans and “smaller” plans.

The Tool can be used by pension plans to determine which principles of good governance have been instituted and determine what action steps should be taken to improve governance of their pension plans.

The Tool can be adapted by pension plans to suit their particular needs. For instance, timelines, priorities, and the names of designated individuals with implementation responsibilities can be added to the Tool.

To be fully effective, the Tool should be completed honestly, objectively and realistically by the individual(s) with the best knowledge of each issue and approved by the highest level of pension governance authority.

Completed By:

_____	_____	_____	_____
Name	Title	Principles completed	Date
_____	_____	_____	_____
Name	Title	Principles completed	Date

Approved By:

_____	_____	_____
Signature	Title	Date

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I. PENSION PLAN OBJECTIVES				
PRINCIPLE 1: THE PENSION PLAN SHOULD HAVE CLEARLY STATED OBJECTIVES WHICH ARE DOCUMENTED AND MADE AVAILABLE TO PLAN MEMBERS AND BENEFICIARIES.				
1.1	PENSION PLAN OBJECTIVES	Yes/No/Partial	Explanation	Action Plan
	Pension plan objectives are clearly documented and made available to all stakeholders.			

II. GOVERNANCE STRUCTURE				
PRINCIPLE 2: THERE SHOULD BE CLEAR DELINEATION AND DOCUMENTATION OF ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES OF ALL PARTICIPANTS IN THE GOVERNANCE STRUCTURE.				
2.1	ROLES / RESPONSIBILITIES / ACCOUNTABILITIES	Yes/No/Partial	Explanation	Action Plan
	There are clearly defined and documented roles, responsibilities and accountabilities for all participants in the governance, management and operation of the pension plan. These roles, responsibilities and accountabilities are clearly communicated to all participants.			
2.1.1	“Smaller” Pension Plans	Yes/No/Partial	Explanation	Action Plan
	Where governance and management functions are performed by the same person(s), there is a clear recognition and understanding of the different roles and responsibilities.			

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PRINCIPLE 3: THE GOVERNING BODY MUST FULFIL ITS FIDUCIARY RESPONSIBILITIES TO PLAN MEMBERS AND BENEFICIARIES.				
3.1	FIDUCIARY RESPONSIBILITIES OF THE GOVERNING BODY	Yes/No/Partial	Explanation	Action Plan
	All fiduciaries have a clear understanding of their fiduciary duties and fulfil their fiduciary duties to the plan members and beneficiaries of the pension plan.			
3.1.1	Member-directed Defined Contribution Plans	Yes/No/Partial	Explanation	Action Plan
	The governing body considers all issues concerning the selection of investment options offered to members. Plan members are provided with tools that help them make informed investment decisions.			
3.1.2	Employer(s) or Bargaining Agent(s) Acting as the Governing Body	Yes/No/Partial	Explanation	Action Plan
	The employer(s) or bargaining agent(s) acts in the best interests of plan members and beneficiaries.			
PRINCIPLE 4: THE GOVERNING BODY SHOULD HAVE THE RIGHT MIX OF SKILLS AND EXPERIENCE AND THE MEMBERS OF THE GOVERNING BODY SHOULD COLLECTIVELY DEMONSTRATE THE SKILLS, CAPABILITY AND DEDICATION REQUIRED TO FULFIL THEIR GOVERNING RESPONSIBILITIES.				
4.1	GOVERNING BODY COMPETENCY AND COMPOSITION	Yes/No/Partial	Explanation	Action Plan
	The governing body effectively oversees the pension plan and makes informed decisions. The selection process ensures that the governing body collectively demonstrates the skills, capability and dedication to fulfil its governing responsibilities.			
4.2	SUB-COMMITTEE COMPOSITION	Yes/No/Partial	Explanation	Action Plan
	The roles and functions of sub-committees are clearly set out. Sub-committee members collectively demonstrate the skills, capability and dedication necessary to fulfil their responsibilities. Sub-committees have the right mix of skills and experience.			

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PRINCIPLE 5: MEMBERS OF THE GOVERNING BODY SHOULD BE PROVIDED WITH APPROPRIATE TRAINING AND UNDERTAKE ONGOING EDUCATION.				
5.1	ORIENTATION / ONGOING EDUCATION	Yes/No/Partial	Explanation	Action Plan
	Members of the governing body are provided with appropriate training and ongoing education. Members of the governing body have, or are acquiring, the knowledge and skills required to make informed decisions.			
PRINCIPLE 6: THERE SHOULD BE A PROCEDURE FOR THE SELECTION AND SUCCESSION PLANNING OF MEMBERS OF THE GOVERNING BODY AND SENIOR MANAGEMENT.				
6.1	SELECTION AND SUCCESSION PLANNING: GOVERNING BODY AND SENIOR MANAGEMENT	Yes/No/Partial	Explanation	Action Plan
	There is a formal and transparent procedure for the selection of the governing body members and senior management of the pension plan, which deals with the term, selection, appointment/election, and removal of members and managers.			

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III. COMMUNICATION				
PRINCIPLE 7: THE GOVERNING BODY SHOULD RECEIVE APPROPRIATE, TIMELY AND ACCURATE INFORMATION.				
7.1	DISTRIBUTION OF INFORMATION TO THE GOVERNING BODY	Yes/No/Partial	Explanation	Action Plan
	Processes have been established to ensure that governing body members receive appropriate, timely, accurate, complete, consistent and easily comprehensible information. These processes ensure that governing body members receive information related to all aspects of the pension plan (e.g. investments, funding, benefits and operating activities).			
PRINCIPLE 8: A COMMUNICATION POLICY SHOULD BE ESTABLISHED FOR PLAN MEMBERS AND BENEFICIARIES TO ENSURE TRANSPARENCY AND ACCOUNTABILITY .				
8.1	COMMUNICATION POLICY: PLAN MEMBERS AND BENEFICIARIES	Yes/No/Partial	Explanation	Action Plan
	A communication policy has been established for disclosure of plan information to members and beneficiaries which ensures appropriate communication (i.e. timely, accurate, complete, consistent, cost-effective, useful, comprehensible and accessible).			
8.1.1	Plan Member and Beneficiary Concerns	Yes/No/Partial	Explanation	Action Plan
	Pension plan members and beneficiaries have a right to voice concerns and have them appropriately addressed in a timely fashion.			
8.1.2	Defined Contribution Plans and Hybrid Plans	Yes/No/Partial	Explanation	Action Plan
	Plan members understand the inherent risks of plans with DC attributes and know that investment risk is borne by plan members.			

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8.1.3	Member-directed Defined Contribution Plans	Yes/No/Partial	Explanation	Action Plan
	A communication and education plan is in place which ensures that plan members understand the inherent risks of member-directed defined contribution plans, the effect of risk versus return, basic investment strategies, investment choices, and pension plan and investment information. Plan members are provided with adequate initial and ongoing information so they can make informed decisions about their investment options. The governing body has considered all relevant issues when developing the education and communication plan.			

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IV. INTERNAL CONTROLS				
PRINCIPLE 9: A CODE OF CONDUCT AND CONTROL MECHANISM FOR CONFLICTS SHOULD BE ESTABLISHED.				
9.1	CODE OF CONDUCT AND CONTROL MECHANISM FOR CONFLICTS	Yes/No/Partial	Explanation	Action Plan
	A code of conduct has been established which sets out the required behaviour of the governing body, senior management and plan advisors in their role as fiduciaries. The code of conduct also establishes a control mechanism for conflicts, a conflict of interest policy and a review mechanism.			
PRINCIPLE 10: PENSION PLANS SHOULD HAVE AN APPROPRIATE INTERNAL CONTROL FRAMEWORK.				
10.1	INTERNAL CONTROL FRAMEWORK	Yes/No/Partial	Explanation	Action Plan
	The pension plan has an internal control framework that ensures all potential risks for the plan are addressed. There are clear written policies and control processes regarding financial stability and plan funding, asset management, asset protection and expenses, the outsourcing of functions and the selection of service providers/professional advisers.			
10.1.1	Asset-related Fees	Yes/No/ Partial	Explanation	Action Plan
	If asset-related fees are charged to the plan or paid by members, steps have been taken to ensure they are reasonable and competitive.			

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10.1.2	Multi-employer Pension Plans	Yes/No/ Partial	Explanation	Action Plan
	There is a delinquency control program with procedures for the collection of unremitted contributions and data, and remedies for non-compliance.			
PRINCIPLE 11: THE GOVERNING BODY SHOULD HAVE APPROPRIATE MECHANISMS IN PLACE TO OVERSEE THE ADMINISTRATION OF THE PENSION PLAN AND ENSURE COMPLIANCE WITH LEGISLATIVE REQUIREMENTS				
11.1	OVERSIGHT OF PLAN ADMINISTRATION AND COMPLIANCE WITH LEGISLATIVE REQUIREMENTS	Yes/No/Partial	Explanation	Action Plan
	There are processes and standards in place to ensure the pension plan complies with legislative requirements and pension benefits are paid to plan members and beneficiaries in accordance with the terms of the plan and legislative requirements.			
11.1.1	Pension Benefit Administration	Yes/No/ Partial	Explanation	Action Plan
	Processes and standards have been established to ensure administration of pension benefits in accordance with the terms of the pension plan and legislative requirements.			
11.1.2	Compliance with Legislative Requirements	Yes/No/Partial	Explanation	Action Plan
	An internal control framework is in place to ensure compliance with minimum legislative requirements.			

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V. PERFORMANCE MEASURES AND ASSESSMENT				
PRINCIPLE 12: OBJECTIVE PERFORMANCE MEASURES FOR DECISION MAKERS AND PENSION PLAN PERFORMANCE SHOULD BE ESTABLISHED.				
12.1	PERFORMANCE MEASURES – DECISION MAKERS	Yes/No/Partial	Explanation	Action Plan
	Objective performance measures have been established for all key decision makers (including the governing body, pension committee members, senior management, staff, custodians, investment managers, third-party benefit administrators and professional advisors) and a process for regular evaluation against the performance standards has been established. Mechanisms and follow-up actions have been established to rectify inadequate performance.			
12.2	PERFORMANCE MEASURES – PENSION PLAN PERFORMANCE	Yes/No/Partial	Explanation	Action Plan
	Objective comprehensible performance measures are utilized to measure pension plan performance and performance measures are reviewed over appropriate time periods. Results are reported to appropriate stakeholders.			
PRINCIPLE 13: A GOVERNANCE SELF-ASSESSMENT SHOULD BE CONDUCTED AND REPORTED TO PENSION PLAN MEMBERS, BENEFICIARIES, EMPLOYER(S) AND BARGAINING AGENT(S).				
13.1	GOVERNANCE SELF-ASSESSMENT AND REPORTING	Yes/No/Partial	Explanation	Action Plan
	The governing body periodically reviews the governance procedures. Self-assessment reporting to plan members, beneficiaries, employers and bargaining agents is done on a periodic basis and sets out how the pension governance guideline was complied with, exceeded or not complied with.			