

## CAP Comments Submission – Manulife Financial (Canadian Pension)

### Section 1 – Introduction

#### 1.1.1 Capital Accumulation Plan

**MLI Comment:** Is the intent that the proposed guidelines apply to ESOP's? Our position is that ESOP's should be exempt. ESOP's are not retirement savings vehicles in the traditional sense – they are typically offered by Employers as a means to enhance their relationship with their workforce.

### Section 2 – Setting Up a CAP

#### 2.2.1 Selecting Investment Funds

**MLI Comment:** the guidelines refer to “a range of investment options that is appropriate considering the purpose of the CAP”. This wording is ambiguous and requires clarification/expansion.

#### 2.2.2 Selecting Investment Funds

**MLI Comment:** Will this guideline force insurance companies to add a segment to their pooled funds at a cost? A guaranteed death benefit component within a segregated fund is typically addressed by insurance companies as part of their retail product offering. It becomes cumbersome and price sensitive to offer a death benefit guarantee within a group savings vehicle. Is it possible to distinguish between traditional CAP products and retail segregated funds?

### Section 3 – Investment Information and Decision-Making Tools for CAP Members

#### 3.1.3. What type of investment information and decision-making tools are necessary

**MLI Comment:** Very subjective – the Plan Sponsor cannot determine the computer literacy or financial sophistication of the members. Employee education is one of the most important measures of a retirement plan's success. There appear to be no specific recommendations around the effectiveness and accuracy of the tools being offered (i.e. interest rate assumptions have a significant effect on the outcome of retirement calculations and, if not reasonable, could sway a member's decisions).

#### 3.4.1 General

**MLI Comment:** Need to address the current ambiguity around roles and accountabilities for the sponsor, the service provider etc.

### Section 4 – Introducing the Capital Accumulation Plan to CAP Members

#### 4.4 Description of fees, expenses and penalties

**MLI Comment:** We endorse disclosure of fees as a comprehensive, “bottom line” number, not as a breakdown of fee components

## Section 6 – Maintaining a CAP

### 6.3.1. Monitoring of Records

**MLI Comment:** This requirement seems onerous on the plan sponsor. The intent of these guidelines is to put rigor around the investment element – this type of monitoring appears to infringe on evidence of a carrier’s record-keeping ability. Record-keeping capabilities should be self-monitored by the carriers (most of whom have, at a minimum, comprehensive internal audit practices). Our recommendation is that the CAP focus remains on investments and that the monitoring is done via a centrally established regulating body who, on an annual basis reviews the carrier’s capabilities and “certifies” CAP compliance.

#### General Comments

- We support including all plans, existing and new, when CAP is introduced. Our recommendation would be a common implementation date (i.e. Jan 1, 2005 or 12 months from the date final guidelines are published/adopted) with sufficient lead time to allow carriers and sponsors adequate time to address all guidelines
- There continues to be ambiguity around ongoing monitoring for CAP. Would a governing body be established to review and update the CAP Guidelines periodically in which the industry will follow?
- There are numerous sections which impose upon the sponsor a duty to "give" or "provide" members with certain information. Our proposal would be to change to 'make available'. A duty to give information may actually impose an obligation to ensure that the material is received by the individual. A duty to make information available may be more in line with practice.