



August 28, 2003

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Dear Davin,

Thank you for the opportunity to comment on the Proposed Guidelines for Capital Accumulation Plans (CAPS).

- CAPS will obviously save employers money and long-term responsibilities when compared with Defined Benefit Plans. Indeed, a comparison of the two types of plans should be included with the materials on CAPS.
- Members of this Plan must be made aware of the differences in the two types of Plans – and the implications of both those differences and of the implications for their future retirement incomes if a CAPS is in effect.
- The proposed Guidelines make no reference to matching funds by the employer. Will this occur as in a Defined Benefit Plan?
- The Guidelines are process-oriented and prescriptive. They encompass broad directives **without** any specifics on implementation (for example, see pgs. 17 to 20).
- The investment literacy of most Canadians is not generally very high and this is probably true for members (p. 11) as well. They will need to receive a very good grounding in investment education. Documentation must be written in plain and simple English. By the way, CARP would welcome the opportunity to partner with the Joint Forum on providing investment education programs in some format across the country to 50-plus Canadians.
- Members have a lot of responsibilities. In fact, what they are being asked to do can become “a full time job”, but they have very few rights! For example, the sponsors determine without consultation with members if, when and how changes of investments will be made (p. 14, 23-24) Also for example, 4.1.2 will incur a high expense for members.

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- Similarly, I understand that there is no provision for members to be represented by a selected representative(s) on the Board of Directors or Management Committee. Even Defined Benefits Plans are usually overseen by Boards or Committees with members' representatives.
- What penalties – other than the threat of lawsuits, which are expensive in money and time - will be created for mismanagement of the fund? And who will monitor, oversee and enforce the operation of the fund? Are legislated regulations contemplated to underpin this fund?
- A lot of administrative and educational work is expected of the plan sponsors (p. 8 -11, 14). Who will pay for this? How will payment be assessed and how much can be assessed? Guidelines are needed for these issues. Who will ensure fairness? And what recourse is there for members if they feel fees are too high, assuming that costs will be passed along to them – which is probably a very good assumption.
- After the Enron experience, should company stock be included as an investment option?

I would be remiss if I did not acknowledge the assistance of Priscilla Healy with whom I discussed CARP's response.

I trust that my comments will be helpful, as I'm adopting the consumers' (i.e., member's) perspective. (Other comments may come to mind later.)

If you have comments or questions, please do not hesitate to contact me. I will be out of the office from August 29, returning on September 8<sup>th</sup>.

Sincerely,

Bill Gleberzon  
Associate Executive Director  
& Co-Director of Advocacy