



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada



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# Building and Administering Effective Pension Plans

Indian and Northern Affairs Canada (INAC) in partnership with the  
Office of the Superintendent of Financial Institutions (OSFI) and  
Many Nations Financial Services Ltd.

Presented by: Robert Shotton (INAC), Linda Steele (OSFI),  
Pauline Bechtel (INAC), and Judy Liland (Many Nations)

Canada



# Why a Pension and Benefits Information Session?

- INAC – funding, roles & responsibilities
- OSFI – managing risk through good governance
- Many Nations – mapping success for First Nations pension plans



# The Band Employee Benefits (BEB) Program

## We Will Cover

- BEB Basics:
  - What's Funded?
- Roles and Responsibilities:
  - INAC's
  - The Employer's
- Eligibility:
  - Eligible Programs
  - Eligible and Ineligible Employee Positions
  - How to Maintain Eligibility
- How to Apply for BEB
- Questions and Answers on BEB



# BEB Basics – What's Funded?

## Supports the cost of the employer's share of...

### *Pension and benefit plans, such as:*

- Canada/Quebec Pension Plans
  - (2006 rate=4.95%)
- Private employer-sponsored pension plans
  - (5.5%)
- Non-statutory plans
  - (2%) e.g. group life insurance\*
- Administrative fees\*
  - (\$1000/employer + \$25/employee, or if less than 10 employees, then 125/ee)

\* To be eligible for funding for non-statutory plans (group life insurance) and administrative fees, employees must be participating in an employer sponsored pension plan.

Statutory benefits such as Employment Insurance, Worker's Compensation and Vacation Pay are not funded by BEB.

The Employer share <= the Employee share



# INAC's Role and Responsibilities

## INAC is...

- The funding agency
  - ▶ (along with the other federal departments)

- Responsible for:
  - ▶ managing the Band Employee Benefits Program Policy
  - ▶ reviewing and approving applications for funding
  - ▶ ensuring compliance to program terms and conditions
  - ▶ gathering the relevant data and reporting national results
  - ▶ allocating funds to recipients



# Employer's Role and Responsibilities

## The BEB Funding Recipient is...

- The Employer...

*and by default also...*

- The Administrator

- Responsible for:

- ▶ Applying for
  - ▶ pension plan registration and funding
  - ▶ ongoing funding annually from INAC
- ▶ Selecting an insurance company, trust company or investment manager, to hold, manage and deposit the pension and benefits funds on behalf of employees
- ▶ Delegating authority to an Administrator for the administration of the pension plan.



# Employer's Role and Responsibilities

## Employer responsibility (cont'd):

- Administering the pension and benefit plan
  - ▶ including recording and remitting all employee and employer contributions to the pension plan fund
  - ▶ within the time limits prescribed by the *Pension Benefits Standards Act, 1985 (PBSA, 1985)*.
- Ensuring that
  - ▶ employee and employer contributions are held in trust separate from operating funds
  - ▶ the annual audit report filed with INAC contains the information specified in the funding agreement regarding the pension plan and its funding.
- Filing
  - ▶ the Annual Information Returns required under the *PBSA, 1985* and the *Income Tax Act*.



# Key Points about Eligibility

- Eligible Employers, Programs and Positions
  - Who Does INAC fund?
- Examples of Eligible and Ineligible Positions
- How to Maintain Eligibility



# Who Does INAC Fund?

## Eligible Employers

- Recipients that are eligible for BEB funding are:
  - First Nation, Inuit or Innu employers
  - Who are engaged in the delivery of an INAC program



# Who Does INAC Fund? (con't)

## Eligible Programs

- To be eligible, the program must:
  - Be an INAC-funded program
    - “object of a funding arrangement with the department formerly delivered by the department.”
  - Also **not** fund employee benefits
    - (except for worker’s compensation, employment insurance or vacation pay)



# Who Does INAC Fund? (con't)

## Eligible Employee Positions

If determined that program is **eligible**,

- staff employed to support the delivery or management of that program will generally be eligible, provided they meet the following criteria:
- the position:
  - must be salary-based (e.g. not paid by honorarium)
  - can be part-time or full-time but cannot be on a contract or project-basis
  - cannot be a for-profit position (e.g. store clerk, video lottery operator, etc.)
  - title should be double-checked to ensure it is related to INAC's mandate (e.g. INAC wouldn't fund a position related to health, policing, or fisheries, etc.)



# Who Does INAC Fund? (con't)

## Ineligible Employee Positions

- The following employees are considered **Ineligible**:
  - Employees hired:
    - on **contract**
    - on a **project basis**
    - for profit-related services whose source of funds is
      - ▶ other than INAC, or
      - ▶ an INAC program that is ineligible



# Examples of Eligible and Ineligible Positions\*

Examples of Eligible Positions
Band Manager
Chief and Council (if paid a salary)
Teacher (Band Operated School)
Social worker

Examples of Ineligible Positions	Explanation for Ineligibility
Addictions Counsellor	Funded by Other Government Department (OGD)
Chief and Council (If provided honorarium)	Not-salary based positions
Fisheries Officer	Funded by OGD
Nurse	Funded by OGD

\*See table on page 3 of the BEB Program Directive on Eligibility



# How to Maintain Eligibility

- Annual Reporting 65/66/68
  - Application, List of Eligible Employees and Annual Report, by May 31 of every year
- Data on all reports must be based on the actual expenditures and staff complement of previous fiscal year ending March 31
- Maintain compliance with the *Pension Benefits Standards Act, 1985 (PBSA)*:
  - payroll remittances to financial institutions and reports to the Office of the Superintendent of Financial Institutions (OSFI) must be maintained on a timely basis;
  - OSFI provides INAC with monthly lists of non-compliant plans



# How to Apply to INAC for BEB ?

## Application Package:

- Band Council Resolution or resolution of the board of directors
- An Application for BEB including the List of Eligible Employees and total salaries.
- A copy of Canada Revenue Agency CPT 124 form, if the eligible employer elects to participate in the Canada Pension Plan for status Indian employees.\*
- The copy of the plan text, employee booklet, cost certificate and investment contract or trust agreement for the pension plan.\*
- A copy of the Canada Revenue Agency Form T510, Application for Registration of Employees' Pension Plan.\* A copy of the Application for Registration required under Pension Benefits Standards Act, 1985, a cheque for the registration fee, made payable to the Receiver General of Canada, and the Declaration of Compliance, OSFI 522.\*

*\* The Employer is responsible for forwarding these forms directly to CRA/OSFI*



# How to Apply to INAC for BEB ?

- The eligible employer needs to submit this application package (previous page) to INAC regional office for review and approval
- Status reports on CRA and OSFI submissions are imperative to the process as eligible employers may be pre-approved for BEB funding pending conditions of submissions to CRA and OSFI

# Office of the Superintendent of Financial Institutions (OSFI)

## **Managing risk through good governance:**

- OSFI's role
- Pension Risk
- Pension Governance



<http://www.osfi-bsif.gc.ca>

# OSFI's Pension Role

- **Mission:**
  - Protect members from undue loss and contribute to public confidence in the private pension system
- **Mandate:**
  - To supervise federally regulated private pension plans to determine whether they:
    - Are in sound financial condition and
    - Comply with the provisions of the legislation and OSFI policies and guidelines.



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# Who OSFI regulates

## Included Employment

- Banks
- Crown Corporations
- Telecommunications
- Airlines
- Shipping and navigation
- Inter-provincial and international transportation
- Undertakings in the North
- **First Nations**

# OSFI Supervision

- **Our supervision strategies are:**
  - Reliance-based
    - The Administrator, 3<sup>rd</sup> parties
    - Regulatory filings
  - Principles-based
    - We support principles of good governance as proposed in the Capital Accumulation Plan Guidelines\*
  - Risk-based
    - We run tests based on the regulatory filings and what we hear from parties. If filings are OK, payments are on-time, no complaints, you won't hear from us!



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# What are regulatory filings?

- **Annual Filings**
  - Annual Information Return (OSFI 49)
  - Certified Financial Statements (OSFI 60)
  - Must be filed within 180 days of plan year-end
  - Now to be filed electronically
- **Plan Amendment Forms**
  - As needed
    - Declaration of compliance
    - Addendum to Declaration of compliance



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# Importance of Regulatory Filings

- **Legislated Requirement**
  - Penalties could be imposed
- **Part of good governance practice**
- **Submitting Annual Information Returns and Certified Financial Statements allows OSFI to assess the pension plan and deal with small problems before they become bigger problems**
- **Protects the plan member**



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# Symptoms of “Plans at Risk”

- **Compliance problems**
  - Indication of poor governance and/or administration
  - Quality of communication to members
  - Late or non-remittance of contributions
  - Late or non-filing of regulatory returns
- **Solvency concerns**
  - Assets considerations
    - Mix of assets, etc.
  - Quality of financial or valuation reporting



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# OSFI Supervision Watchlist

- Plans with high risk profiles are tracked by OSFI on a watchlist
- Determine a composite risk rating
  - Low, moderate, above average or high
- Determine level of intervention required



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# What OSFI does about it

- *Principle: Protect members' benefits*
  - Receive Notice from Custodian (30 days after due)
  - Direct verbal communication
  - Letter to administrator/custodian/INAC
  - Request disclosure of late remittance to members
  - Require stop to payroll deductions
  - Issue a Direction (power of Superintendent under the Act)
  - Go to Federal Court to enforce the Direction
  - Terminate the Plan/Cancel registration



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# Plan Administrator in Pension Governance

- **Fiduciary or “trustee” role**
  - Responsible for the safekeeping of plan members’ money
  - You are acting in their best interest, not in any other.
- **Administration or “manager” role**
  - Remitting contributions on time and in the correct amounts
  - Filing of regulatory returns
  - Accurate record keeping

# Framework for Good Governance and Administration Practices

- CAPSA – Guidelines for Capital Accumulation Plans (CAP Guidelines)
  - \***Canadian Association of Pension Supervisory Authorities**
- First Nations Pension Plan Governance Program
  - **Humber College – Centre for Employee Benefits (CEB)**

**CAPSA: <http://www.capsa-acor.org>**

**Humber: CEB: <http://www.humber.ca/ceb>**



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# Is “Governance for you?”

**Do you:**

- **Know the location of the most recent plan text?**
- **Know how much you pay to service providers in administrative fees?**
- **Know the default investment option for your plan members?**
- **Know if all divisions remit on time?**
- **Report regularly on the pension plan to a group responsible for your pension?**



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# Is “Governance” for you?

**Do you:**

- **Document decisions taken for the plan?**
- **File reports to regulators on time?**
- **Communicate clearly and regularly to plan members?**
- **Submit plan amendments to OSFI?**

**Whether you answer positively or not – these are governance issues.**



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# Pension Plan Governance

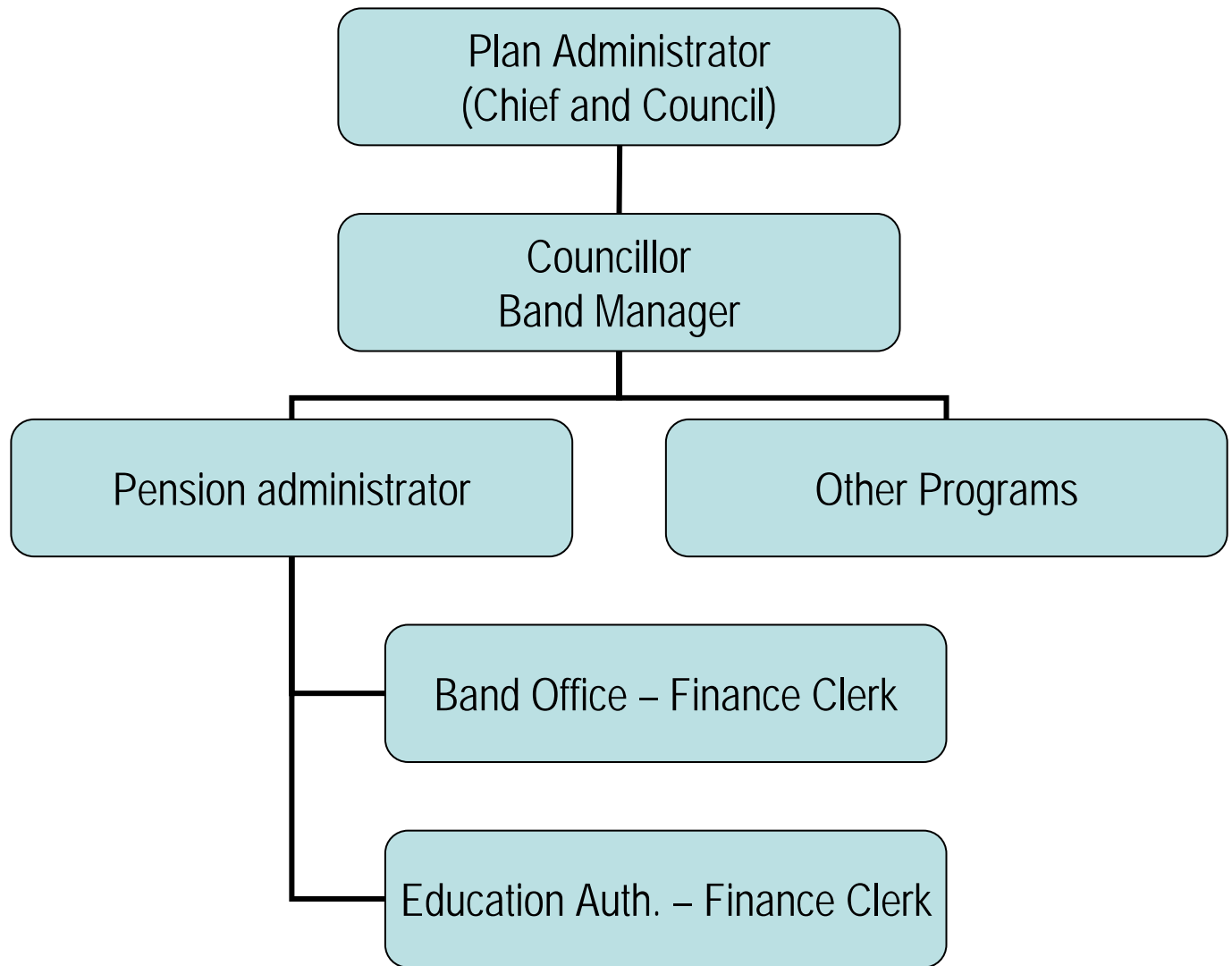
## **Four key elements:**

- 1. Proper knowledge**
- 2. Proper delegation**
- 3. Proper monitoring and oversight**
- 4. Proper documentation**



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# Sample Governance Structure



# How will governance help you?

- 1. Qualified staff and ongoing training reduces risk of errors;**
- 2. Clear objectives, policies and procedures means greater success;**
- 3. Monitoring and oversight ensures problems are corrected while they are still small;**
- 4. Documenting decisions and actions provides an audit trail and potentially protects you**



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# Agenda

- Value of participating in a pension plan
- Retirement without pension plan contributions
- Did you know?
- CAP guidelines
- Team effort
- Pension Committee / Plan Administrator
- Employer
- Service Provider
- Member / Employee
- Broker / Representative
- Common pension terms
- Pension responsibility model





## ***What is the Value of a Pension Plan?***

- **What does your Financial Planner say? Depending on the lifestyle you wish to maintain you may need to save 60% - 80% of your current income for retirement (as long as you are debt free)**
- **Example: Today's income of \$40,000 @ 80% = \$32,000 annually**
- **Total approximate nest egg for your retirement years = \$530,000**

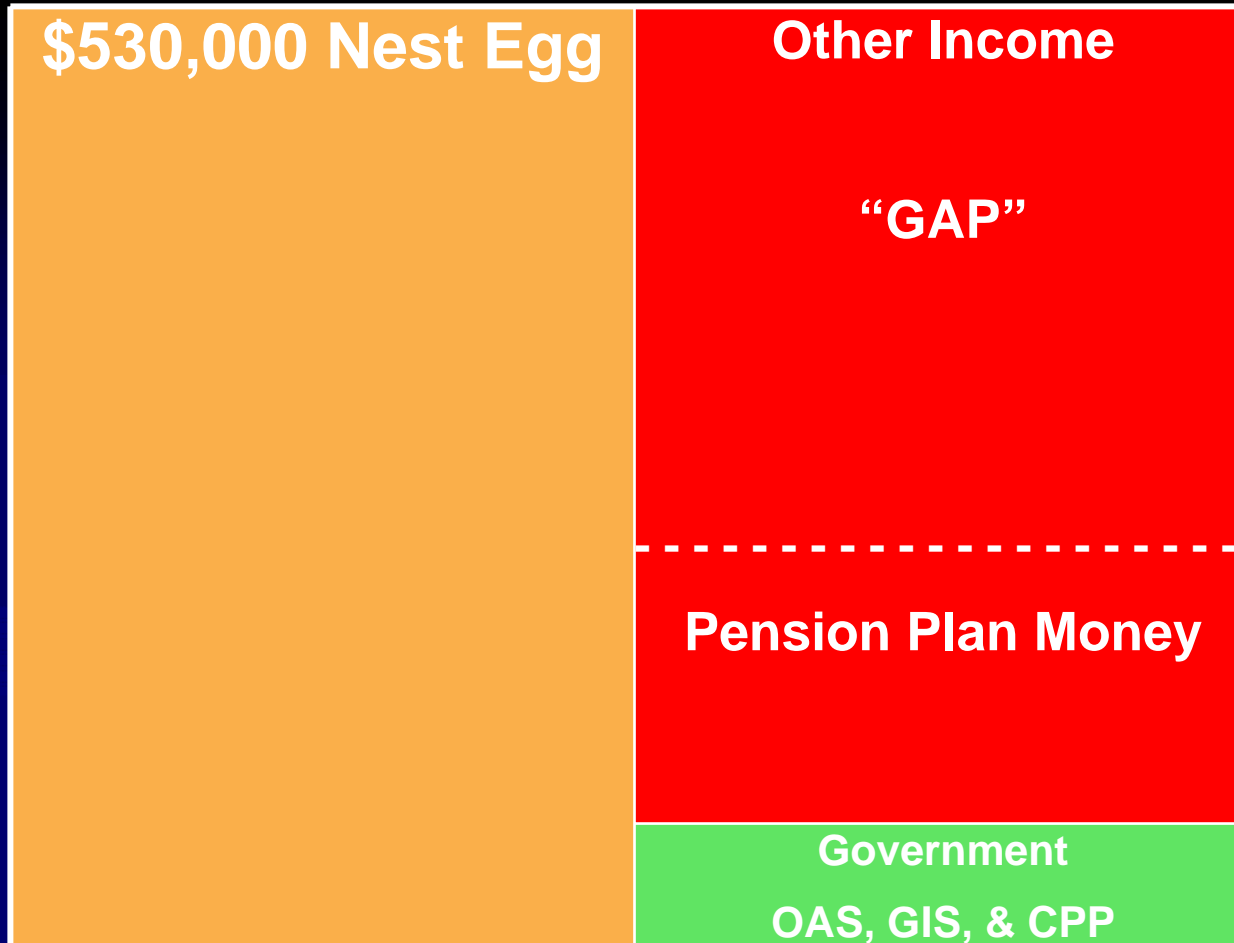


**Being a member of a pension plan is one “tool” to achieve retirement**

**Being a member and contributing for a long period of time is the key to a rewarding retirement.**



# Where would you like to be?



\$32,000 Retirement  
Income / year

All Retirement Income  
Combined



## *Did you know?*

- **Is your plan Federally Legislated or Provincially Legislated?**
  - **Most First Nations Plans are Federally Legislated**
- **Did you send your Funding Services Officer (FSO) a new Band Employee Benefits (BEB) Funding application?**
  - **Depending on your Broker you may be able to receive assistance in completing your funding application form.**
  - **Remember... It is the responsibility of the organization to file the completed application and to coordinate the funds.**





# ***What are the Capital Accumulation Plan (CAP) Guidelines?***

**They:**

- **Are employer sponsored investment plans that require members to make investment decisions among 2 or more investment options offered.**
- **Define the expectations (pension plan governance) of the regulators (CAPSA) regarding the operation of a CAP.**

**Pension governance is about delivering on the pension promise consistent with the Statement of Investment Policies and Procedures (SIP&P) and pension legislation.**

**CAPs may include:**

- **Defined Contribution Pension plans**
- **Group RRSP's**
- **Group RESP's**
- **Group DPSP's and other employer sponsored accumulation plans.**



***Everyone has a role to play!!  
Efficient Pension Plan Administration  
requires a TEAM Effort!!***



- Pension Committee / Plan Administrator (Chief & Council / Tribal Council)
- Pension & Benefits Administrator (Employer)
- Service Provider (Insurance Carrier)
- Member (Employee)
- Broker / Service Representative



## ***Pension Committee / Plan Administrator (Chief & Council / Tribal Council) Responsibilities***

**Responsible for monitoring the pension plan and acts as *the fiduciaries* of the plan.**

- **Development of a Statement of Investment Policies and Procedures (SIP&P).**
- **Ensuring that all aspects of the plan meet the Capital Accumulation Plan (CAP) guidelines.**
- **Monitoring of the Investment Managers**
- **Monitoring of the Record-Keeper relationship.**
- **Develops and reviews educational material provided to Plan members.**
- **Review investment results to Plan members**
- **Review Investment Management Fees.**
- **Takes full responsibility for the timely filing of the Annual Information Returns and pays the applicable fees.**





# ***Pension & Benefits Administrator's (Employer's) Responsibilities***

- **Setting up the plan.**
- **Determining the deductions/contributions**
  - **Example - 5.5% Employee / 5.5% Employer**
- **Make available investment information and decision making tools to members.**
- **Introduce the plan to eligible members. Pension Plans require Mandatory Participation.**
- **Provide ongoing communication to members.**
- **Maintaining the program –**
  - **Enrolments/terminations/changes**
  - **Timely Contribution Remittance**
  - **Annual Information Return (AIR) filing**



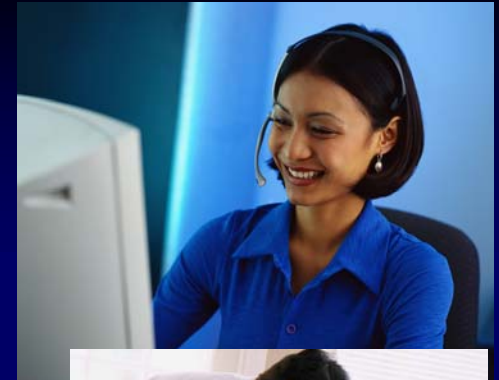


## ***Service Provider's (Insurance Carrier's) Responsibilities***

- **Dependent on what the CAP Sponsor delegates to the service provider and what the service provider agrees to.**

### **Some examples:**

- **Regular account information sent to the members.**
- **Investment information provided through the representative, product provider, website and other correspondence.**
- **Employee enrolment kits.**
- **Employee requested reviews.**
- **Group information sessions.**
- **Electronic capabilities for remittances and administration.**





# ***CAP Member's (Employee's) Responsibilities***

- **Responsible for using the tools and information provided to make investment decisions.**
  - **How much to contribute matched to the employer contributions. Additional voluntary contributions can be made at your discretion (not employer matched)**
  - **How much should be contributed to a particular investment.**
  - **Whether a particular investment should be moved to another option.**
- **CAP members should be encouraged to obtain investment advice from a qualified individual in addition to using the tools provided by the CAP sponsor.**





# ***Broker/Service Rep's Responsibilities***

## **To the Chief & Council / Tribal Council**

- **Needs analysis**
- **Plan evaluation and recommendation**
- **Pricing – IMFs, Admin Fees**
- **Assist in monitoring performance of the investments**
- **Monitor report schedules – i.e. AIR Report**

## **To the Employer**

- **Benefits Administrator Training (shared with the carrier)**
- **Assistance in completing the necessary forms**
- **Provide ongoing assistance in plan maintenance**

## **To the Employee**

- **Employee education / meetings**
- **Individual investment advice / Ongoing**





## *Other useful information*

- **Beneficiary designation (Spousal Rules)**
- **Pension funds can not be used as collateral or be borrowed**
- **Locking In Legislation**
- **What is Vesting?**
- **At retirement – Can I have the \$ in one lump sum?**





# Responsibilities as the Pension & Benefits Administrator (Employer)

Employer Roles and Responsibilities	Duties as Per CAP Guidelines of Plan Sponsor	CAP Schedule	Governance Duties in Compliance with CAP Guidelines	Many Nations Schedule
✓	Investment Options/Results	Semi-Annual	Measure investment results	Q1, Q2, Q3, Q4
✓		Semi-Annual	Adopt guidelines re: sub par investment performers	Q2, Q4
✓		Annual	Review investment options for Plan Members	Q4
✓		Annual	Develop and Review Statement of Investment Policies & Procedures (SIP&P)	Q4
✓	Decision-making tools	Semi-Annual	Retention of independent Pension Consultant to provide in-depth analysis of Plan performance and Governance.	Q1, Q2, Q3, Q4
✓		Semi-Annual	Provide investment results to Plan members	Q2, Q4
✓		Annual	Develop & Review educational material for Plan members	Q4



# *The Benefit of the Many Nations Multi-Employer Pension Plan (MEPP)....simplicity!*

**Your Roles & Responsibilities as a Participating Employer of the MEPP**

Contributions

Enrolments

Terminations





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# Questions and Answers

# Panel Session

INAC HQ	Robert Shotton	Manager	Program Governance
INAC BC Region	Pauline Bechtel	Allocation Officer	Funding Services
OSFI	Linda Steele	Supervisor	First Nation Pension Plans
Many Nations Financial Services Ltd.	Judy Liland	President	