

## I. Overview

### Section 1 – What is Pension Plan Governance?

---

#### 1.1 Brief History

In November of 1998, the Standing Senate Committee on Banking, Trade and Commerce issued its “Report on the Governance Practices of Institutional Investors”. This report included a recommendation that pension plans in Canada adopt industry best practices with respect to pension plan governance. The following are the key recommendations released by the Committee:

- That individuals appointed to the boards of pension plans have the necessary knowledge to effectively monitor a fund’s managers.
- The pension fund industry should develop practices and techniques that represent the outcomes that stakeholders would value.
- That the trustees of pension plans in Canada adopt one of the Association of Canadian Pension Management (ACPM), Pension Investment Association of Canada (PIAC) or Office of the Superintendent of Financial Institutions (OSFI) guidelines and report annually to pension plan members how they comply with, or exceed, the adopted guidelines. If they do not comply with a set of adopted guidelines, the trustees should explain to the pension plan members why they have elected not to do so.
- The primary responsibility of members of the boards of pension funds should be to the beneficiaries of the fund. Social investment or any other form of investment must be subordinate to the long-term growth of the pension plan.

The guidelines developed by the ACPM, PIAC and OSFI contained many common principles. As a result, these organizations formed a “Joint Task Force on Pension Plan Governance” to develop a common set of pension plan governance principles for plan administrators and governing bodies.

Upon release of the Joint Task Force’s report in January 2000, the Standing Senate Committee on Banking, Trade and Commerce recommended that pension plans in Canada consider the principles and the assessment tool developed by the Joint Task Force and implement the principles in a manner that is best suited to each plan’s circumstances.

Since that time, the Canadian Association of Pension Supervisory Authorities (CAPSA) (which counts OSFI among its member organizations), has elaborated and expanded on the principles enunciated by the Joint Task Force and on October 25, 2004 released its *Pension Plan Governance Guidelines and Self-Assessment Questionnaire*. The questionnaire has been updated and the questionnaire is based on the following principles:

1. Fiduciary responsibility

The plan administrator has fiduciary responsibilities to plan members and beneficiaries. The plan administrator may also have fiduciary and other responsibilities to other stakeholders.

2. Governance framework

The plan administrator should establish and document a governance framework for the administration of the plan.

3. Roles and responsibilities

The plan administrator should clearly describe and document the roles, responsibilities, and accountability of all participants in the pension plan governance process.

4. Performance monitoring

The plan administrator should establish and document performance measures to monitor the performance of participants in the governance and administration of the plan.

5. Knowledge and skills

The plan administrator, directly or with delegates, has the duty to apply the knowledge and skills needed to meet the plan administrator's responsibilities.

6. Governance information

The plan administrator should establish and document a process to obtain and provide governance participants appropriate information to meet fiduciary and other responsibilities.

7. Risk management

The plan administrator should establish and document a framework and ongoing processes, appropriate to the pension plan, to identify and manage the plan's risks.

8. Oversight and compliance

The plan administrator should establish and document appropriate processes to ensure compliance with the legislative requirements and pension plan documents.

9. Transparency and accountability

The plan administrator should establish and document a communication process with the aim to be transparent and accountable to plan members, beneficiaries and other stakeholders.

10. Code of conduct and conflict of interest

The plan administrator should establish a code of conduct, incorporating a policy to manage conflicts of interest.

11. Governance review

The plan administrator should establish and document a process for regular review of a pension plan's governance framework and processes.

## 1.2 Commission's Position

Effective pension plan governance is essential in order for the Commission to fulfill its fiduciary responsibilities to members of the Liquor Board Superannuation Plan. In the circumstances, the Commission has decided to adopt pension plan governance principles using the guidelines established by the Joint Task Force and CAPSA.

The Commission recognizes the need to take a systematic, coherent and transparent approach to:

- operating the superannuation fund;
- documenting the roles and responsibilities of service providers;

- establishing and maintaining a meaningful and remedial performance measurement process; and
- instituting an appropriate reporting structure.

The pension plan governance process needs to be clear and specific about its goals, priorities and expectations. As such, the Commission has developed a comprehensive governance manual in order to document the governance process and to communicate the open nature of the process to the Liquor Board Superannuation Plan members and other stakeholders. This governance manual will be made available to stakeholders on the Plan administrator’s website.

The Commission recognizes that communication is a key element to successful pension plan governance. The Commission is therefore committed to the transparency of the process to demonstrate their fiduciary responsibility to act in the best interest of all plan members.

As part of the on-going articulation and implementation of the governance principles contained in this governance manual, the governance process will be reviewed at least annually and modified as required. An annual self-assessment will be conducted by the Commission to ensure effectiveness of the governance process. The results of this assessment will be reported to the Liquor Board Superannuation Plan stakeholders.

### **1.3 History**

Approval Date:	November 25, 2014, March 15, 2006, and November 29, 2017
Last Review:	November 29, 2017
Next scheduled review	November 2018