

# Briefing

Compliance News Affecting Pension Plans

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## CAPSA News



## Guideline for Capital Accumulation Plans

The Canadian Association of Pension Supervisory Authorities (CAPSA) has released an updated [Guideline for Capital Accumulation Plans](#), which replaces its 2004 guideline.

This guideline outlines regulators' expectations regarding:

- The responsibilities of capital accumulation plan (CAP) sponsors, administrators and service providers
- Industry best practices in the maintenance and administration of a CAP
- The information that should be provided to CAP members

Examples of CAPs include defined contribution pension plans, registered retirement savings plans, deferred profit-sharing plans, locked-in retirement accounts and life income funds.

### Responsibilities of CAP sponsors

All CAP sponsors have responsibilities to CAP members and are expected to perform the following tasks:

- Setting up the CAP
- Determining the key features of the CAP, including default or automatic features
- Selecting service providers
- Selecting investment options and investment funds
- Maintaining records related to member accounts, either internally or through a service provider
- Reviewing fees and expenses for reasonability and competitiveness
- Providing plan communications and ongoing education to CAP members

- Providing decision-making tools and investment information to CAP members
- Overseeing and monitoring performance of service providers
- Reviewing the performance of investment options and funds
- Giving CAP members access to performance reports for each investment option

### **Ongoing communication to CAP members**

The CAP sponsor should provide all members with a statement of their CAP account at least annually.

These statements should include:

- Summary of investments and total value of the member account invested in each option
- Summary of investment activity for the statement period
- Minimum and maximum permitted withdrawals if applicable
- Notice of any upcoming requirement or ability for a CAP member to commence retirement income
- CAP member's personal rate of return
- Information regarding level of fees and expenses payable through the member's account
- Summary of investments and total value of the member account invested in each option

Additionally, when a CAP member terminates active participation, the CAP sponsor should provide the member with a termination statement that should include:

- Any requirements to receive income from the plan
- An explanation of how to transfer money to products outside of the CAP
- How the assets will be liquidated or distributed
- Any default options that may be applied
- Any tax consequences to the member

### **Responsibilities of service providers**

The service provider and the CAP sponsor should clearly define and document the functions the service provider is agreeing to perform.

When performing tasks or functions for the CAP sponsor, service providers are expected to:

- Comply with all applicable legislation
- Follow the CAPSA Guideline for Capital Accumulation Plans
- When interacting with CAP members and the CAP sponsor, whether the service provider will monetarily benefit, beyond the fees agreed upon, from a decision made by the CAP sponsor

## Responsibilities of CAP members

CAP members should understand that they bear the inherent investment risk in a CAP.

Some key CAP member responsibilities include:

- Informing themselves about the CAP's features and their rights and obligations
- Evaluating default features of the CAP, including investment options and contribution rates
- Using the education materials and tools provided by the CAP sponsor or service provider(s)
- Determining, if applicable, how much to withdraw upon retirement and what decumulation options are available

## Next steps

Plans should operate in accordance with the CAPSA guidelines, which outline industry best practices. However, plans should also consider whether their pension regulator may specify its own expectations.



Segal can be retained to work with plan sponsors and their legal counsel on determining the implications. For assistance or if you have questions about the regulations and the law, contact your Segal consultant or [get in touch via our website](#).

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