



FSRA issuing guidance on pension plan administrator responsibilities

By: Staff | July 30, 2021 | 09:00

The Financial Services Regulatory Authority of Ontario is releasing final interpretation guidance to support the role and responsibilities of pension plan administrators.

The guidance, an updated and consolidated version of four previous documents, said the administrator's role includes responsibility for implementing processes to ensure pension plan risks — such as investment, funding, operational and legal — are understood and addressed. In the context of defined benefit pension plans, it noted an administrator should be especially aware of risks that might impact the security of the promised pension benefits, such as financial risks to the plan's investments and the employer's ability to withstand variations in its funding commitments.

The guidance also detailed differences in the responsibilities of the administrator, the plan sponsor and the employer. While the plan sponsor's responsibilities include designing, establishing, amending and terminating the plan, the employer is responsible for making contributions and ensuring sufficient funding to provide the promised pension benefits.

In situations where the same individuals have decision-making responsibilities for the administrator, the employer or the plan sponsor, the FSRA said those individuals "need to clearly understand and document when their decisions are taken as an administrator, an employer or a plan sponsor and be mindful of the potential for conflicts of interest among their roles."

In the context of multi-employer pension plans, the guidance noted individual trustees need to be mindful of potential conflicts of interest that may arise if they also occupy senior roles within the sponsoring union or the employer.

In keeping with their fiduciary duties and statutory obligations, administrators need to understand how third-party advice informs their decisions and to document and supervise the activities performed by those service providers, said the guidance. “While the use of service providers doesn’t relieve administrators of liability, their use can be an effective means for administrators to meet their standard of care and manage their exposure to liability.”

And with a documented governance framework or policy considered a key practice for pension governance, the FSRA advised administrators to implement best practices from the Canadian Association of Pension Supervisory Authorities. “Failure to have and follow a governance framework exposes the administrator to potential sanction and liability for having breached its fiduciary and statutory standard of care.”

https://www.benefitscanada.com/pensions/governance-law/fsra-issuing-guidance-on-pension-plan-administrator-responsibilities/?utm_source=EmailMarketing&utm_medium=email&utm_content=benefitscanada.com&utm_campaign=Benefits-Canada-Daily-Newsletters&oft_id=97674018&oft_k=ZC4HYI1D&oft_lk=82VHVw&oft_d=637640937671100000&fpid=786741&m32_fp_id=bNM33H&ctx=newsletter&m32_fp_ctx=DI_MASTER_Relational