



SECTION:	Investment Guidance Notes
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TITLE:	Overview of Statements of Investment Policies and Procedures (SIPP) Requirements
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Note: Where this guidance note conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

*Note: The electronic version of this guidance note, including direct access to all linked references, is available on FSCO's website at www.fSCO.gov.on.ca. All pension policies and guidance notes can be accessed from the **Pensions** section of the website through the **Pension Policies** link.*

1.0 Purpose

This guidance note outlines the content, filing and disclosure requirements for statements of investment policies and procedures (SIPP), as set out in Regulation 909 (Regulation) under the Pension Benefits Act (PBA). In addition, it outlines factors that FSCO expects the pension plan administrator (administrator) to consider in establishing and reviewing a SIPP in accordance with its fiduciary duties and as a matter of good governance.

An administrator of a member-directed defined contribution (DC) plan, or a combination or hybrid plan with a member-directed DC provision¹, should also refer to [IGN-003: Statements of Investment Policies and Procedures \(SIPPs\) for Member-Directed Defined Contribution Plans \(IGN-003\)](#).

¹ A DC plan or provision is "member-directed" where members or beneficiaries are permitted to make some or all investment choices for their individual accounts. A member-directed DC plan or provision is distinguished in this policy from an "administrator-directed" DC plan or provision, where all investment choices pertaining to the individual accounts are made by the administrator.

2.0 Background

2.1 Differences between Investment Policy Statements and SIPPs

An **investment policy statement** is a generic term for a document that sets out the investment policies and parameters of an investment program, such as investment objectives, investment principles, asset allocation mix, and risk tolerances.

A **SIPP** is a document required by the Regulation that must outline key investment policies and procedures for the pension fund and meet minimum requirements set out in the Regulation and described in section 3.3 of this guidance note.

The SIPP may serve as the plan's sole investment policy statement, as is the case for many pension plans. In such instances, it may be appropriate for the SIPP to go beyond the prescribed minimum content requirements, and address a broader range of investment policy matters.

Alternatively, a plan may establish a SIPP which is intended to simply meet the prescribed content requirements, and establish a separate document that serves as the plan's more detailed investment policy statement. In some cases, the SIPP and/or the investment policy statement may be further supplemented by additional investment policies covering a variety of topics (such as manager selection and portfolio rebalancing).

2.2 One SIPP per Plan

Some plans have both defined benefit (DB) and DC provisions. For instance, there are combination plans where members have to choose between a DB and DC option, or hybrid plans, which offer a minimum guaranteed defined benefit, with upside potential offered through a member-directed DC provision.

Section 78(1) of the Regulation requires a plan to have a single SIPP, including when the plan has both a DB and member-directed DC provision. This means that the SIPP for a combination or hybrid plan must address the assets that pertain to all provisions covered by the plan, although the SIPP would address the assets of each provision differently as there are fundamental differences in the investment of DB assets and member-directed DC assets.² The SIPP must be filed with FSCO through the Pension Services Portal.³

² Under a DB provision, members' assets are pooled together and invested under a single coherent investment policy or strategy (a similar approach is taken with an administrator-directed DC plan). In contrast, under a member-directed DC provision, each member provides investment instructions for the assets notionally credited to the member's separate account within the investment parameters and options of the plan. Accordingly, the content requirements for the SIPP of a member-directed DC provision will differ from that of a DB or administrator-directed DC provision.

³ A single SIPP may be made up of separate parts for different provisions (for example, Part A relating to the investment of the DB provision and Part B relating to the investment of the DC provision). However, someone reading the SIPP must be able to identify it as the complete SIPP for the plan and, therefore, where the SIPP is divided into parts, there should be an indication in the document of the number of parts and the provision to which each part relates.

2.3 Similar SIPPs for Multiple Plans

In practice, an administrator of a plan may adopt a SIPP that contains provisions identical to those in the SIPP for other plans. For example, plans with the same administrator, plans that invest in the same master trust, or plans that use the same investment consultant may be modelled after the same SIPP.

However, the administrator of each plan must first determine, in accordance with its fiduciary duties, that the investment policies and procedures set out in the model SIPP are appropriate for its plan given all relevant factors such as the plan type and demographics/ maturity. If the administrator considers the model SIPP to be appropriate for its plan, the administrator must formally adopt the SIPP and the approval must be properly documented. If needed, the administrator should modify the SIPP to address any unique characteristics of the plan.

The administrator of each plan is responsible for its own SIPP; therefore, any amendments to the model SIPP must be considered and adopted, rejected, or modified by the administrator for each plan.

3.0 Regulatory Requirements

The following is a summary of key statutory and regulatory requirements pertaining to the SIPP. Administrators and their advisors are directed to review the PBA and regulations directly for complete details.

3.1 Standard of Care

Under section 22 of the PBA, an administrator is responsible for administering and investing the pension fund in accordance with the administrator's standard of care, in a prudent manner, and in the best interests of the pension plan's beneficiaries. It is the responsibility of the administrator to determine what prudence requires in the context of the plan and fund that it administers. The administrator must determine the investment policies and procedures to be set out in the SIPP, implement a review and approval process, and monitor compliance with the SIPP, all in accordance with the administrator's fiduciary duties.

The administrator should document the rationale for key investment policies and procedures, although this does not necessarily have to be documented in the SIPP itself.

3.2 Establishing a SIPP

The requirement to establish a SIPP is set out in section 78(1) of the Regulation and applies to all pension plans.⁴ Specifically, section 78(1) requires the administrator to establish a SIPP for the plan that meets the requirements of the federal investment regulations (FIR), as modified by sections 47.8 and 79 of the Regulation.

The FIR are defined in section 66 of the Regulation as sections 6, 7, 7.1 and 7.2 and Schedule III to the federal *Pension Benefits Standards Regulations, 1985* (PBSR) made under the *Pension*

⁴ Individual pension plans and designated pension plans, as defined under the *Income Tax Act*, are also required to establish a SIPP.

Benefits Standards Act, 1985 (Canada) as they may be amended from time to time. The FIR are incorporated by reference in sections 78 and 79 of the Regulation.⁵

Under the PBA, the application of the FIR is modified by sections 47.8 and 79 of the Regulation. Section 47.8 permits plans to invest in certain derivative contracts issued under the *Ontario Municipal Employees Retirement System Act*, subject to certain prescribed conditions. Section 79 permits plans to invest in securities issued by the United States Government.

3.3 Content Requirements for the SIPP

The content requirements for SIPPs are set out in the Regulation and the FIR as incorporated therein. In addition, FSCO's investment guidance notes (specifically [IGN-003 and IGN-004: Environmental, Social and Governance \(ESG\) Factors \(IGN-004\)](#)) provide guidance on the regulatory requirements and best practices. Details are provided below.

Section 7.1 of the PBSR

Content requirements for SIPPs of DB plans and administrator-directed DC plans are set out in Section 7.1(1) of the PBSR, which specifies that the SIPP must address the following policies and procedures:

- a) categories of investments and loans, including derivatives, options and futures,
- b) diversification of the investment portfolio,
- c) asset mix and rate of return expectations,
- d) liquidity of investments,
- e) the lending of cash or securities,
- f) the retention or delegation of voting rights acquired through plan investments,
- g) the method of, and basis for, the valuation of investments that are not regularly traded at a marketplace; and
- h) related party transactions permitted under section 17 of Schedule III and the criteria to be used to establish whether a transaction is nominal or immaterial to the plan.

Typically, a SIPP would contain a separate section describing each of these elements. For a description of the above listed policies and procedures, see OSFI's [Guideline for the Development of Investment Policies and Procedures for Federally Regulated Pension Plans](#).

Section 7.1(1) of the PBSR also states that the SIPP must be prepared "having regard to all factors that may affect the funding and solvency of the plan and the ability of the plan to meet its financial obligations" (hereinafter referred to as "funding and solvency factors").

Stated another way, the administrator must take into account various funding and solvency factors in preparing its SIPP. This requirement reflects the importance of a plan's liabilities and funded status in setting investment policy. It is the responsibility of the administrator to determine what factors affect funding and solvency of the plan.

Under section 7.1(2) of the PBSR, the SIPP must include a description of its funding and solvency factors, and the relationship of those factors to the policies and procedures set out in the SIPP.

⁵ The "federal investment regulations", or "FIR" for short, is a defined term under the PBA, and refers collectively to certain sections of the PBSR as indicated above. In this guidance note, when referring to individual sections under the FIR, however, reference will be made to the PBSR, not the FIR.

Member-Directed DC Plans or Provisions

The content requirements of section 7.1(1) of the PBSR do not apply to member-directed DC plans or provisions. For information concerning the content requirements for these types of plans, see IGN-003.

Environmental, Social, and Governance Factors

Under section 78(3) of the Regulation, the SIPP must include information as to whether environmental, social, and governance (ESG) factors are incorporated into the plan's investment policies and procedures, and if so, how those factors are incorporated. This requirement applies to all pension plans.

For further information on ESG factors and on FSCO's expectations concerning ESG disclosures, refer to [IGN-004](#).

SIPP Content to be Consistent with Schedule III of the PBSR

The terms and provisions of the SIPP must be consistent with the requirements of the FIR as modified in sections 47.8 and 79 of the Regulation, including Schedule III of the PBSR.⁶ Schedule III includes investment regulations that deal with permitted investments, concentration risk, and related party transactions.

If there is a conflict between the terms and provisions of the SIPP and the FIR (including Schedule III) as modified by the Regulation, the FIR as modified takes precedence. The administrator should amend its SIPP to remove any such conflict.

Optional Content

The SIPP may serve as the sole investment policy document for a plan, as noted previously. Therefore, the document may go beyond the minimum prescribed requirements and include other investment policies or procedures.

Summary of SIPP Content

Sample table of contents for DB and DC plans or provisions have been provided in [Appendix A](#) and [Appendix B](#). A summary of content requirements for SIPPs has been provided in [Appendix C](#).

3.4 Investing in Accordance with the FIR and the SIPP

Under section 79 of the Regulation, the assets of the plan must be invested in accordance with the SIPP **and** the FIR (as modified by sections 47.8 and 79 of the Regulation).

This has important implications for the administrator in preparing or updating a SIPP, including the following:

- The administrator will need a mechanism to monitor whether the plan is in compliance with the FIR **and** the SIPP.

⁶ As required by section 78(2) of the Regulation.

- If key elements of a plan's investment program change, the administrator must ensure that any changes are consistent with the SIPP, or alternatively, the SIPP is amended to reflect the changes.
- If there is a conflict between the FIR and the provisions of the SIPP, the SIPP must be amended. Under section 79(1.1) of the Regulation, the investment rules of the FIR (as modified by the Regulation) take precedence over the SIPP (as well as over the provisions of the plan or an instrument governing the plan).⁷
- Administrators should be careful to draft the SIPP in such a way that it is clear how to comply with it.

3.5 Filing and Disclosure Requirements

Filing the SIPP with FSCO

Administrators are required to file their SIPPs with FSCO through the Pension Services Portal, subject to the following deadlines:

- For plans registered before January 1, 2016, the SIPP must be filed by March 1, 2016.
- For new plans registered on or after January 1, 2016, the SIPP must be filed within 60 days after plan registration.
- An amendment to a SIPP must be filed within 60 days after the date the amendment is made. (Administrators are encouraged to file the entire amended SIPP, rather than just the amendment.)

The administrator must file the SIPP, and any SIPP amendments, with a SIPP Information Summary (Form 14)⁸.

Administrator to make SIPP available

Under section 29 of the PBA and section 45 of the Regulation, the administrator is required to make the SIPP available for inspection upon written request of specified persons, and provide copies subject to a prescribed fee. The persons include, among others, a member, former member or retired member; the spouse of a member, former member or retired member; any other person entitled to pension benefits under the pension plan; a representative of a trade union that represents members of the pension plan; and an employer. (See section 29 of the PBA for a complete list of specified persons.)

The administrator is also required to provide copies of such documents by mail or e-mail, upon written request and payment of the applicable fee. The administrator is also required to provide the SIPP to the plan's pension advisory committee⁹, if any, and to the plan's actuary, in the case of DB plans.¹⁰

⁷ For example, administrators will need to take note of changes to Schedule III of the FIR which come into force on July 1, 2016, and modify their SIPP to ensure consistency with the revised regulations.

⁸ Form 14 has been approved by the Superintendent in accordance with section 113.2 of the PBA.

⁹ The authority for this requirement is section 24 of the PBA, which requires the administrator to provide such information as is under the control of the administrator and is required by the advisory committee or its representative for the purposes of the committee. It is FSCO's position that the SIPP is a document required by the pension advisory committee.

¹⁰ As required by section 7.1(3) and 7.2(2) of the PBSR.

Superintendent to make SIPP available

Under section 30 of the PBA and section 46 of the Regulation, the Superintendent is required to make the SIPP available for inspection upon written request of the parties specified in section 29(1) of the PBA. The Superintendent is also required to provide copies of such documents by mail or e-mail, upon written request and payment of the applicable fee.

SIPP Information in Member Statements

Effective July 1, 2016, administrators are required to include prescribed content about SIPPs in annual statements to members, and biennial statements to former and retired members. The prescribed content includes general statements about the requirement for a plan to establish a SIPP, that the SIPP will contain information about the plan's ESG policy, and how members, former members, and retired members may view or obtain a copy of the SIPP (as described above). Details are prescribed in sections 40, 40.1, and 40.2 of the Regulation.

Summary of Filing and Disclosure Requirements

Key filing and disclosure requirements under the PBA and the Regulation are summarized in Appendix D.

3.6 Review of SIPP

Under section 7.2 of the PBSR, an administrator must review and confirm, or amend the SIPP with respect to the assets of DB or administrator-directed DC plans or provisions at least once each plan year.

SIPPs that pertain to member-directed DC plans or provisions are not subject to the annual review requirements of section 7.2 of the PBSR. Consistent with their fiduciary duties, however, administrators must periodically review the SIPP. See IGN-003 for further details.

There are also instances where the SIPP will need to be amended prior to a regularly scheduled review. The assets of every pension plan, including member-directed DC plans, must be invested in accordance with the SIPP for the plan at all times.¹¹ Therefore, if there is a proposed change to the investment strategy, investment practices, or the investments themselves that would be contrary to the SIPP, the SIPP must be amended before any such change is implemented.

As a matter of good governance, the administrator should implement a review and approval process for the SIPP. If the administrator has adopted several amendments to the SIPP, the administrator should incorporate the amendments into a restated SIPP.

4.0 Development and Review Considerations

4.1 External Assistance

The SIPP is a plan document that addresses a wide range of technical topics and must meet regulatory requirements. The preparation, review, and revision of the SIPP will require a high level

¹¹ As required by section 79 of the Regulation.

of technical knowledge and expertise. If the administrator does not feel it possesses adequate knowledge and expertise, it has a fiduciary duty to seek external expert assistance in this regard.

4.2 Reference Materials

In establishing or reviewing a SIPP, administrators and their advisors should review the following materials for additional guidance and information:

- FSCO [IGN-003: Statements of Investment Policies and Procedures \(SIPPs\) for Member-Directed Defined Contribution Plans.](#)
- FSCO [IGN-004: Environmental, Social and Governance \(ESG\) Factors.](#)
- OSFI's [Guideline for the Development of Investment Policies and Procedures for Federally Regulated Pension Plans](#), April 2000.
- CAPSA's [Guideline No. 6 Pension Plan Prudent Investment Practices Guideline and Self-Assessment Questionnaire on Prudent Investment Practices](#), November 2011.

This guidance note also contains the following appendices, for reference purposes:

- [Appendix A](#): Sample Table of Contents for SIPPs for DB Plans and Administrator-Directed DC Plans
- [Appendix B](#): Sample Table of Contents for SIPPs for Member-Directed DC Plans
- [Appendix C](#): Summary of Content Requirements for SIPPs
- [Appendix D](#): Summary of SIPP-Related Disclosure Requirements under the PBA

Appendix A: Sample Table of Contents for SIPPs for DB Plans or Administrator-Directed DC Plans

A sample table of contents for the SIPP of a DB plan or an administrator-directed DC plan is provided below. This example is for illustrative purposes only. In developing the SIPP, administrators must meet the standard of care required under section 22 of the PBA, as well as any specific regulatory requirements.

This sample table of contents includes the minimum content prescribed under section 7.1(1) of the PBSR and section 78(3) of the Regulation. It also includes other suggested content that may be appropriate where the SIPP serves as the plan's sole or primary investment policy statement. (The suggested items, as marked by asterisks, may be included at the discretion of the administrator.)

1. Introduction – Purpose and Scope of the SIPP*
2. Overview of the Plan*
3. Governance and Administration of the Pension Fund*
4. Funding and Solvency Factors
5. Environmental, Social and Governance Factors
6. Categories of Investments And Loans
7. Diversification of The Investment Portfolio
8. Asset Mix And Rate of Return Expectations
9. Liquidity of Investments
10. Lending of Cash or Securities
11. Proxy Voting Rights
12. Valuation of Investments
13. Related Party Transactions
14. Performance Measurement Monitoring*
15. Selection and Termination of Investment Managers*
16. Policy Approval and Review*

Appendix B: Sample Table of Contents for SIPPs for Member-Directed DC Plans

A sample table of contents for the SIPP of a member-directed DC plan is provided below. This example is for illustrative purposes only. In developing the SIPP, administrators must meet the standard of care required under section 22 of the PBA, as well as any specific regulatory requirements.

This sample table of contents includes the ESG disclosure requirement prescribed under section 78(3) of the Regulation, and items suggested for consideration by administrators in *IGN-003: Statements of Investment Policies and Procedures (SIPPs) for Member-Directed Defined Contribution Plans*. The sample table of content also contains other suggested items that may be appropriate where the SIPP serves as the plan's sole or primary investment policy statement.

1. Introduction – Purpose and Scope of the SIPP
2. Overview of the Plan
3. Governance and Administration of the Pension Fund
4. Environmental, Social and Governance Factors
5. General investment principles
6. Permitted asset classes from which investment funds can be selected
7. The default investment option for member accounts where no selection is made
8. Selecting, monitoring, and terminating investment managers and funds
9. Plan expenses and investment fees related to the DC plan/provision
10. Related party transactions
11. Information guidelines for plan members on investment options
12. Policy Approval and Review

Appendix C: Summary of Content Requirements for SIPPs

Plan type covered by the SIPP	Content Requirements
Defined benefit plan(s) and/or Administrator-directed defined contribution plan(s)	<ul style="list-style-type: none"> • Investment policies and procedures in respect of the plan's portfolio of assets and loans, including: <ul style="list-style-type: none"> ○ Minimum content requirements as set out in sections 7.1(1) and (2) of the PBSR. ○ ESG disclosures as prescribed in section 78(3) of the Regulation. (See also <i>IGN-004: Environmental, Social and Governance (ESG) Factors</i> for more information). • SIPP terms and provisions must be consistent with Schedule III of the PBSR.
Member-directed defined contribution plan(s)	<ul style="list-style-type: none"> • Investment policies and procedures in respect of the plan's portfolio of assets and loans, including: <ul style="list-style-type: none"> ○ ESG disclosures as prescribed in section 78(3) of the Regulation. (See also <i>IGN-004: Environmental, Social and Governance (ESG) Factors</i> for more information). ○ Suggested content as set out in section 4 of <i>IGN-003: SIPPs for Member-Directed Defined Contribution Plans</i>. • SIPP terms and provisions must be consistent with Schedule III of the PBSR.
Hybrid or combination benefit plan that includes the following provisions: Defined benefit provision and/or administrator-directed DC provision and Member-directed DC provision	<ul style="list-style-type: none"> • Investment policies and procedures in respect of the plan's portfolio of assets and loans, including: <ul style="list-style-type: none"> ○ With respect to a DB provision or administrator-directed DC provision, minimum content requirements as set out in sections 7.1(1) and (2) of the PBSR. ○ With respect to a member-directed DC provision, suggested content as set out in section 4 of <i>IGN-003: SIPPs for Member-Directed Defined Contribution Plans</i>. ○ With respect to all provisions, ESG disclosures as prescribed in section 78(3) of the Regulation. (See also <i>IGN-004: Environmental, Social and Governance (ESG) Factors</i> for more information). • SIPP terms and provisions must be consistent with Schedule III of the PBSR.

Appendix D: Summary of SIPP-Related Disclosure Requirements under the PBA

Disclosure Requirement	Timing (where applicable)	Citation
Upon written request, the administrator is required to make available for inspection a plan's SIPP to persons specified in section 29(1) of the PBA, and/or provide a copy by mail or e-mail.		s. 29 of the PBA s. 45 of the Regulation
Upon written request, the Superintendent is required to make available for inspection a plan's SIPP to persons specified in section 29(1) of the PBA, and/or provide a copy by mail or e-mail.		s. 30 of the PBA s. 46 of the Regulation
<p>Administrator must file the plan's SIPP with FSCO subject to the following deadlines:</p> <p>For plans existing on January 1, 2016.</p> <p>SIPPs for new pension plans established after January 1, 2016.</p> <p>Any amendments to a SIPP.</p>	<p>To be filed by March 1, 2016</p> <p>To be filed within 60 days of the establishment of the plan</p> <p>To be filed within 60 days of the amendment</p>	s. 78(4), (5) & (6) of the Regulation
In the case of defined benefit plans, the SIPP and any amendment must be provided to the plan actuary.	To be provided, as applicable, on or before the later of: (i) 60 days of the establishment of the SIPP or its amendment, as applicable, (ii) on the appointment of the actuary.	s. 7.1(3) and s. 7.2(2) of the PBSR
The SIPP must be provided to the plan advisory committee, if any, where the SIPP is required by the advisory committee for the purposes of the committee.		s. 24(7) of the PBA
Prescribed information concerning the SIPP must be included in annual member statements.	Required for member statements issued on or after July 1, 2016.	s. 27(1) of the PBA s. 40 of the Regulations
Prescribed information concerning the SIPP must be included in former and retired member biennial statements.	For plans registered on January 1, 2015, the first such statement must be issued no later than July 1, 2017 (and within 6 months after the plan's fiscal year end), and then every two years thereafter.	s. 27(2) of the PBA ss. 40.1 and 40.2 of the Regulations