

# RBC Group Financial Services

Meeting and Exceeding Capital Accumulation Plan Requirements



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## RBC Group Financial Services (GFS) helps sponsors understand and fulfill the criteria described in the Joint Forum's Capital Accumulation Plan (CAP) Guidelines.

As a plan sponsor, you are responsible for meeting your CAP requirements, but you may delegate some of your requirements to RBC as your service provider. This document, **Meeting and Exceeding Capital Accumulation Plan Requirements**, provides detailed information as to how RBC fulfills CAP requirements on behalf of sponsors.

In addition to this document, RBC has published other tools to assist you in understanding and reviewing your CAP requirements, including:

- › **CAP Guidelines Overview:** an overview of the guidelines and how they impact you
- › **CAP Guidelines Checklist:** helps review your requirements to make sure you have met your responsibilities

With the help of an RBC GFS professional, these documents can be used together to highlight your responsibilities, detail how RBC helps you meet those responsibilities, and document your review process through the use of the CAP Guidelines Checklist.

You can access more information on the CAP Guidelines at [www.jointforum-forumconjoint.ca](http://www.jointforum-forumconjoint.ca)

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## Section 1: An Introduction

### 1.3.2 SERVICE PROVIDERS

**Our role here is straightforward. Sponsors may delegate RBC Group Financial Services as their CAP service provider.**

As a service provider, RBC GFS administers group savings plans in accordance with the CAP Guidelines and other relevant financial services legislation. RBC GFS undertakes many of the sponsor's responsibilities and requirements, as described in the Service and Agency Agreement.

## Section 2: Setting Up a CAP

### 2.1.1 DEFINING THE PURPOSE OF A CAP

When establishing your CAP, the RBC GFS team will help you define and document the goals of your plan. The general purposes of RBC group savings plans are:

**The Royal Choices Group Retirement Savings Plan (Group RSP)** provides plan members with a registered vehicle in which to save for their retirement.

**The Royal Choices Group Investment Account (GIA)** provides plan members with a non-registered vehicle in which to save for the future. Through a GIA, members can build a down payment for the purchase of a house or recreational property; save for a vacation, educational requirements or home renovations; or set aside money as an emergency fund for times of need.

**The RBC Deferred Profit Sharing Plan (DPSP)** provides eligible employees with an opportunity to share in the company's growth and success. The DPSP allows a company to place a portion of its pre-tax profits into a tax-deferred account for each member.

### 2.1.3 SELECTING A SERVICE PROVIDER

CAP Guidelines suggest criteria to be used by sponsors in selecting a service provider. The following criteria outline how GFS meets their requirements:

#### Professional Training

- › RBC salespeople must successfully complete an internal curriculum, including modules in financial advice, investment products and market knowledge.
- › All RBC salespeople are required to complete the National Investment Review, an annual review to ensure ongoing proficiency.
- › All RBC salespeople are required to be registered to sell mutual funds.

#### Experience

- › RBC GFS is part of the RBC Financial Group, one of Canada's leading diversified financial services companies.
- › The company employs more than 70,000 people, who serve more than 14 million personal, business and public sector customers in North America and in 34 countries around the world.



### Specialization in Providing CAPs

- › RBC GFS administers more than 4,000 group savings plans in Canada for businesses and organizations of all sizes, in all major industries and across the private and public sectors.
- › RBC GFS manages more than \$2 billion in group savings plan assets for more than 150,000 group plan members.
- › RBC GFS leverages a broad array of expertise within RBC Financial Group including legal, tax and administrative expertise.

### Costs of Service

- › RBC offers group retirement savings and group investment plans with no annual administration fee to sponsors. Members invest in competitively priced retail investment products.
- › Deferred Profit Sharing Plans (DPSPs) charge a nominal administration fee to establish and maintain.
- › Requests for services beyond standard administration practices may incur a fee. The GFS fee schedule provides details on all fees that may be applicable.

### Consistency of Service Nationally

- › RBC operates over 1,400 bank branches and other locations across Canada.
- › RBC provides access to a centralized toll-free call centre to address questions and provide investment advice on a 24/7 basis.
- › All staff receive standardized training on products and services as well as on compliance and governance issues.
- › Sponsor support is managed by a national GFS team and a toll-free Expert Advice Centre.

### Quality, Level and Continuity of Services

- › As Canada's largest financial services firm, RBC has extensive business continuity and disaster recovery planning and processes in place.

## 2.2 SELECTING INVESTMENT OPTIONS

RBC group savings plans cover a full spectrum of investment options including:

- › **Savings Accounts** – Intended for short-term savings requirements, RBC savings accounts pay interest on every dollar invested.
- › **Guaranteed Investment Certificates** – Available in a variety of terms, interest is earned at either a set rate or one based on a market formula.
- › **RBC Funds** – Over 60 mutual funds providing a choice of asset classes and geographic regions.
- › **Brokerage Options\*** – Access to a broad array of mutual funds, GICs, treasury bills, stocks, bonds and other investment options.

### 2.2.2 SELECTING INVESTMENT FUNDS

Our team of professionals will review RBC Funds with you in relation to your plan.

#### RBC Funds Overview

- › More than 60 mutual funds available providing value, choice and transparency to plan members.
- › Managed by RBC Asset Management Inc., one of Canada's largest money managers, with more than 1.2 million investors and over \$78 billion in assets under management.
- › Provides Money Market, Bond, Income, Balanced, Canadian Equity, North American Equity, U.S. Equity, International Equity and Global Equity funds.
- › Follows a consistent multidisciplined, proprietary investment process implemented through a consultative team approach.
- › Fund details, including investment objective, strategy, risk profiles, historical performance and fees, are available through the Prospectus and the Annual Management Report of Fund Performance or online at [www.rbcam.com](http://www.rbcam.com).

*\* Only available if the RBC Dominion Securities or RBC Direct Investing service delivery options are selected.*

### Meeting Mutual Fund Regulations

All RBC Funds are compliant with industry regulations and guidelines. RBC Asset Management is an industry leader in fund governance.

Most recently, for example, RBC Asset Management led the industry in complying with new regulations requiring every fund company to set up an Independent Review Committee to review potential conflicts of interest. RBC Asset Management implemented its Investment Review Committee in December 2006, a full year before the deadline.

#### 2.2.3 TRANSFER POLICY

- › RBC has instituted a short-term trading fee to discourage excessive trading that may impact other investors.
- › RBC allows members to transfer between investment choices once per quarter without being charged the short-term trading fee.

#### 2.2.4 INVESTMENT DEFAULT POLICY

- › RBC GFS contacts sponsors within 24 hours if contributions are received without proper investment instructions.
- › If instructions cannot be determined, the contribution is returned to the sponsor or the payroll vendor.

### 2.3 MAINTAINING RECORDS

- › RBC Financial Group specializes in custodial services for institutions and investors globally.
- › RBC Financial Group maintains individual accounts for each member.
- › RBC microfilms and stores all documents for a minimum of seven years.
- › All calls received to the toll-free call centre are recorded and can be accessed as required.
- › RBC adheres to stringent privacy policies, available upon request, to protect member and sponsor confidentiality.
- › RBC performs regular internal audits to ensure that all investment transactions are authorized, executed properly and recorded accurately in client accounts.
- › RBC is subject to external audits from securities regulators to test key controls and procedures.



## Section 3: Advice and Decision-Making Tools

### 3.1 DECIDING ON INFORMATION REQUIREMENTS AND THE ASSOCIATED COSTS

- › The RBC GFS team is available to assist you in determining information requirements for your plan based on its purpose, what decisions your members will face, where they are located and their access to computers.

### 3.2 INVESTMENT INFORMATION

RBC provides your members with:

- › An online glossary of terms
- › An online learning centre outlining investing basics, investment strategies and investment tools available
- › A prospectus outlining fund objectives, risks and other fund details
- › Access to historical investment fund information on a monthly, quarterly, semi-annual and annual basis
- › An enrolment kit highlighting information on the products available, enrolment and administration

### 3.3 INVESTMENT DECISION-MAKING TOOLS

**Investment Advice:** A key element of RBC group savings plans is the personal financial advice provided to members by qualified RBC investment professionals. This advice assists members in making the right decisions and guides them through the investment selection process.

Members also have access to on-line decision-making tools including:

- › Fund performance comparison tool
- › Monthly purchase plan calculator
- › Personal savings calculator
- › RSP-Matic calculator
- › Net worth worksheet
- › RRSP future value calculator
- › Minimum annual income calculator
- › Annual retirement income worksheet
- › Annual retirement expense worksheet
- › Net income calculator
- › RRSP compound interest calculator
- › RRSP personal savings calculator

**Horizon Asset Allocation Profiler:** RBC investment professionals utilize a detailed investment profiling tool with members when they open their accounts. This powerful tool generates a profile which outlines investment goals, risk tolerance and a recommended asset allocation. As this is provided as part of the personal advice, members do not have to navigate electronic or paper-based questionnaires on their own.

### 3.4 INVESTMENT ADVICE

CAP guidelines suggest criteria to be used by sponsors in selecting service providers who provide investment advice. The following outlines how GFS can meet those requirements:

#### Service Provider Criteria

Section 2 outlines how GFS meets the suggested criteria for selecting a service provider.

#### Lack of Independence

When offering RBC mutual funds, investment professionals must identify appropriate and suitable investments to clients based on the client's personal circumstances, investment objectives and risk tolerance. The investment specialist is accountable for such recommendations.

#### Legal Requirements

RBC has stringent requirements for all employees who offer advice, including ensuring all individuals and products meet all legal and legislative requirements.

#### Complaints

The RBC GFS team of professionals can assist you in locating and reviewing any complaints filed against RBC or its representatives.

### Meeting Canadian Securities Legislation

- Investment specialists are required to meet minimum proficiency standards in order to obtain registration in the jurisdictions in which they work.
- Securities regulation in each province and territory sets out guidelines relating to the conduct of registrants. As an example, the Mutual Fund Dealers' Association requires that registrants:
  - a) Deal fairly, honestly and in good faith with their clients;
  - b) Observe high standards of ethics and conduct in the transaction of business;

- c) Not engage in any business conduct or practice which is unbecoming or detrimental to the public interest; and
- d) Be of such character and business repute and have such experience and training as is consistent with the standards described by the MFDA.

Further information on Canadian securities legislation is available upon request.







## Section 4: Introducing a CAP to Members

### 4.1.1 INFORMATION ON THE NATURE AND FEATURES OF THE CAP

- › RBC GFS provides enrolment kits describing the details of the plan.
- › RBC GFS consults with sponsors to arrange and conduct on-site enrolment sessions to detail the features and options of the CAP.

### 4.1.2 OUTLINING THE RIGHTS AND RESPONSIBILITIES OF CAP MEMBERS

- › Enrolment kits provide information on plan member responsibilities and options, and policies regarding failure to make investment choices.

### 4.2.1 INVESTMENT FUNDS

- › Enrolment kits provide information on the investment options and investment funds within the plan.
- › A prospectus is provided to all plan members investing in mutual funds. This document details – for each mutual fund purchased – its name, investment manager, investment objective, type of investments held, associated risks and where to get additional information.

### 4.2.2 EMPLOYER SECURITIES

- › RBC group savings plans do not offer employer securities as a specific investment option.

- › Employer securities may be purchased as stock through RBC Dominion Securities or RBC Direct Investing brokerage services. In this case, the name of the issuer and the associated risks would be outlined to plan members as part of the purchase process.

### 4.2.3 OTHER INVESTMENT OPTIONS

- › Plan members who establish an RBC Dominion Securities or an RBC Direct Investing account may select from a variety of securities including stocks, bonds and options.
- › A description of the investment, including the name, the type of investment, the investment objective and its associated risks, is outlined prior to purchase.

### 4.3 TRANSFER POLICY

- › RBC GFS provides details within the prospectus on policies concerning transfers, which all members receive when they purchase a mutual fund.

### 4.4 DESCRIPTION OF FEES

- › All fees, expenses and penalties for investment options are provided to plan members and are available online, in the enrolment kit or in the prospectus.

### 4.5 ADDITIONAL INFORMATION

- › The enrolment kit describes how members can receive additional information. They will find contact details for additional information on their quarterly statement as well.

## Section 5: Ongoing Communication

### 5.1 MEMBER STATEMENTS

RBC investment statements detail:

- › A summary of investments by type (i.e. GIC, mutual fund, etc.)
- › Investment activity including opening balance, contributions, withdrawals, net change in value and closing balance
- › Investment funds including the fund name, number of units, value of each unit, total value and asset class percentage of total investments
- › A summary of transactions
- › How to get additional information on their investments

### 5.2 ACCESS TO INFORMATION

- › RBC provides many sources of information for plan members including online, our toll-free Royal Direct call centre, or through specific documentation about the investments they make.

#### 5.2.2 REPORT ON SIGNIFICANT CHANGES IN INVESTMENT OPTIONS

- › RBC informs plan members of any material changes made to RBC Funds and provides updates for any changes to administrative policies and procedures that may impact their investments.

#### 5.2.3 ADDING INVESTMENT OPTIONS

- › Members are informed of additional investment options through statement updates.

#### 5.2.4 REMOVING OR REPLACING INVESTMENT OPTIONS

- › Any members invested in an investment option that is removed or replaced will be notified of the change, their options in regard to the change and the impacts if no action is taken.



### 5.3 PERFORMANCE REPORTING FOR INVESTMENT FUNDS

Plan members can access performance reporting on a monthly, quarterly, semi-annual and annual basis. The reports provide:

- › The name and mandate of the investment being reported on
- › The performance history net of fees for one-, three-, five- and 10-year periods and since inception with comparison to the benchmark
- › Identification of the method used to calculate performance including where to get additional information
- › Clear disclosure that past performance is not necessarily an indication of future performance

## Section 6: Maintaining a CAP

### 6.1 REVIEWING THE SERVICE PROVIDER

- › The RBC GFS team can assist in developing and documenting the criteria by which sponsors choose their service provider, investment options, and all other services related to their CAP including criteria for periodic review.

### 6.2 REVIEWING SERVICE PROVIDERS WHO PROVIDE INVESTMENT ADVICE

- › The RBC GFS team can assist in developing and documenting the criteria by which sponsors can review the investment advice component of their plan.

### 6.3 REVIEWING INVESTMENT OPTIONS

RBC GFS provides sponsors with annual reports on investment options included within the plan. The report includes:

- › Fund performance
- › A review of any changes to fund management or mandates
- › A breakdown of the funds invested in the CAP
- › CAP investment holdings in aggregate and per member on a quarterly basis if requested

### 6.4 REVIEWING RECORDS MAINTENANCE

- › RBC conducts extensive regular internal audits of its processes and procedures for records maintenance.
- › Upon request, RBC can facilitate a third-party review of a specific CAP.\*

*\* The sponsor is responsible for any costs associated with third-party audits. Please see the GFS schedule of fees for details.*

### 6.5 REVIEWING DECISION-MAKING TOOLS

- › Upon request, the RBC GFS Team can assist in reviewing decision-making tools available to plan members.

## Section 7: Administration of Plan Termination

### 7.1.1 TERMINATING A CAP

- › Upon termination of a plan, the RBC GFS team can assist in developing communications and notifying plan members.

### 7.2.1 COMMUNICATING TO CAP MEMBERS ON TERMINATION OF PARTICIPATION

- › RBC enrolment kits outline options for plan members when they leave the plan including converting to a retail account with no impact on investments and no deadline for member action.



## Your Next Step

If you wish to contact us for a no-cost, no-obligation analysis of how your organization can benefit from a group savings plan offered by RBC Group Financial Services, call us at:

**1-800-835-3855**

or visit us online at:

**[www.rbcinvestments.com/gfs](http://www.rbcinvestments.com/gfs)**



This document is a general overview of the subject matter and cannot be regarded as legal advice. The Guidelines for Capital Accumulation Plans (CAPs) were released on May 28, 2004 by the Joint Forum of Financial Market Regulators. Regulators expect plan sponsors (or the financial institution retained by the CAP sponsor) to ensure CAPs are compliant with CAP Guidelines.

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