

August 2, 2018

CAPSA Secretariat
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Re: CAPSA Consultation on Guideline No. 9 – Searching for Un-locatable Members of a Pension Plan

We are writing in response to the above-noted consultation released by CAPSA on June 21, 2018.

With almost 300 employees, working from six offices in Canada, Eckler Ltd. is the country's largest independent actuarial consulting firm. Our roots trace back to 1927, making us one of the oldest firms in the industry. Eckler provides actuarial, administrative and consulting services to single and multi-employer plans across the country. This experience provides valuable insights into the issues plan sponsors, trustees and administrators encounter when dealing with un-locatable plan members and beneficiaries. We therefore thank CAPSA for its examination of this topic, and for the opportunity to provide feedback on the consultation.

The draft of Guideline No. 9 (Guideline) provides a useful summary of the steps plan administrators should take to minimize the risk of members becoming un-locatable, as well as the search options available when members become un-locatable despite administrators' best efforts. However, we note that much of this information has already been made available to administrators by provincial regulators. For example, the Financial Services Commission of Ontario (FSCO) has published [Policy A300-200](#), Management and Retention of Pension Plan Records by the Administrator, and [Policy A300-900](#), Searching for Plan Beneficiaries.

In addition to summarizing existing best practices for accurate record retention and member searches, we believe guidance is needed on a range of issues relating to searching for un-locatable members, and on dealing with members who remain unlocated following a search. Some examples of areas where guidance is sorely needed are provided below.

- **Search parameters:** While all administrators would undoubtedly prefer to find all un-locatable members, guidance should address when administrators can cease proactive efforts following unsuccessful searches. The Guideline notes that administrators should use "all possible methods" to find un-locatable beneficiaries. This suggests that search efforts should continue until a member is located, regardless of the cost or time involved. The Guideline should indicate when a plan administrator can cease proactive efforts to search for an un-locatable member. We believe this should become possible after an administrator can demonstrate that it has made reasonable and good faith efforts to locate a member. The administrator can provide evidence of reasonable effort in terms of criteria such as:
 - The number of search methods used; and
 - The cost of search efforts compared to the size of both the plan and the benefit associated with the un-locatable member (discussed further below).

Once an administrator has ceased its search, the un-locatable member will retain their entitlement to the value of their benefit. However, the onus should shift to the member – i.e., they should be responsible for advising the administrator of their location.

- **Treatment of small balances:** A consequence of the implementation of immediate vesting in most Canadian jurisdictions has been the increase in the number of members with small benefits. As these

members were often in a plan for a short period of time, they are more likely to not maintain an ongoing connection with the plan, and are therefore more likely to become un-locatable. As the cost of searching for an un-locatable member is unrelated to the value of that member's benefit, administrators are frequently and increasingly faced with situations where the cost of searching for an un-locatable member can meet or exceed the value of that member's benefit. We recommend that a minimum threshold be established at which an administrator can either: (a) only be required to use a single search method; and/or (b) can cease search efforts once the threshold is met. At that point, as discussed above, the member will retain their benefit entitlement, but the onus will shift to them to advise the administrator of their location. Consideration should also be given to establishing a basic minimum amount below which the onus will automatically shift to the member without the need for the administrator to conduct a search.

We believe that administrators should be given latitude to use the search method(s) that they feel are best based on the circumstances of each particular plan. As noted by FSCO Policy A300-900, these circumstances include the plan's size and demographics and the likely effectiveness of the approach or approaches at issue. Despite this latitude, we believe it is essential for regulators to formulate guidance on the point at which administrators can suspend search efforts for un-located members. We encourage the members of CAPSA to work in concert with provincial and federal pension regulatory authorities in order to provide guidance in this regard.

While not addressed in the Guideline, we believe that CAPSA and pension regulatory authorities should actively work to develop a national service that administrators can use to locate missing members. One option is the creation of a government-run central search database utilizing data available through Canada Revenue Agency (CRA) and/or the Canada Pension Plan. Such a database could replace CRA's National Search Unit (NSU), which, during its existence, provided a cost-effective and productive resource for all plan administrators. It could also provide a minimum base search criterion for all plans.

Regardless of the form chosen, we believe that a streamlined and cost-effective process should be developed that can be used by administrators searching for un-located members. We believe that such a process should:

- Be national in scope,
- Use available government resources and databases,
- Operate on a cost-recovery or revenue neutral basis
- Provide plan members and beneficiaries with the ability to, once located, renounce their entitlement (if it is their wish), thereby allowing the plan to take the necessary action,
- Provide a discharge or other process in respect of missing members whose benefits fall below a specific minimum threshold (i.e., annual pension amounts of \$100 or less), to address situations where the cost of locating the missing member might otherwise exceed the cost of the member's benefit.

Finally, we believe that CAPSA members should consult on the creation of provincial, regional or national repositories for unclaimed pension balances. The federal Department of Finance is currently [consulting](#) on the possibility of expanding its unclaimed balance framework to unclaimed balances on plan wind-up, and using the Bank of Canada (BoC) to hold such amounts. Consideration should be given to allowing transfers of unclaimed balances from provincially regulated plans to the BoC and/or other similar entity, both from ongoing plans and on plan wind-up. When determining when amounts should be transferred to the repository(ies), guidance can be obtained from Quebec's unclaimed property regime, which provides that amounts due under a pension plan are considered unclaimed property when no claim has been made within three years following the date the amount becomes due or payable.

We thank you again for the opportunity to provide our comments on Guideline. Should you have any questions on the topics discussed above, or wish to discuss any other aspect of the consultation, please feel free to contact Karen DeBortoli (kdebortoli@eckler.ca, 416 696-4947).

Regards,



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