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Department of Finance Canada
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Response to Consultations on Canadians' Unclaimed Balances

Summary:

Bell Canada sponsors several federally registered defined benefit and defined contribution pension plans, providing pension benefits to approximately 100,000 Canadians. Currently, we have approximately 3,000 inactive members who are unlocatable.

In general, we support the proposals outlined in the Unclaimed Pension Balances Framework issued in June 2018. A regime for lost pension entitlements, similar to that used by the Bank of Canada for financial institutions, would help match beneficiaries with their entitlements and would relieve some of the administrative and compliance burden faced by pension plan administrators. We agree that the issue is becoming of greater significance as defined contribution plans mature, and individuals often have several different employers over a career.

Ongoing and terminated plans:

The search for unlocatable plan members is an ongoing part of the control process of pension plan administrators. Database management and regular correspondence requirements are typical components of plan administration, however search costs escalate and the administrative burden becomes greater when members reach age 71 and *Income Tax Act* compliance is jeopardized if members cannot be located.

As the number of lost members continues to grow, we believe that government support in locating lost members is required for ongoing plans. This could be achieved in two ways: 1) the unclaimed pension balances framework could be extended to ongoing plans at the discretion of the plan sponsor in situations where entitlement to a lump-sum benefit payment has already been determined under the plan text, and 2) federal government services to assist administrators in locating lost members could be improved. In particular, we would endorse the reinstatement of the National Search unit or an enhancement to the CRA letter-forwarding service to make it more accessible and efficient. Improvements here would ultimately reduce the number of accounts that are sent to the designated entity.

Requirements for transfer to designated entity:

We agree with the proposed requirement for OSFI approval of transfers of unclaimed pension balances to the designated entity. Although this represents an extra formality beyond the approval of a plan termination report, it serves to ensure only eligible balances are transferred after reasonable search methods have failed. Also, the OSFI approval process could be

extended to ongoing plans, should the framework be extended to include transfers of unclaimed pension balances from ongoing plans.

In our experience, effective search techniques include social media, union and retiree associations, registered mail and private search organizations. Since extensive search efforts have been made and demonstrated prior to approval of a plan termination report, we do not believe there should be a minimum time period before eligible unclaimed pension balances in terminated plans may be transferred to the designated entity. We also do not believe an arbitrary minimum time period to make appropriate efforts to search for a plan beneficiary should be imposed, but rather the time period should reflect the expected processing times of the available channels.

Therefore, criteria required to obtain OSFI's authorization for transfers to the designated entity should focus on the prescribed information listed in the Consultation paper. We agree that certain information should be disclosed publicly, similar to the current Bank of Canada approach, so that individuals can search for their funds prior to submitting a claim. Pension plan administrators would typically have the suggested information readily available to provide to the designated entity.

Payment considerations:

We agree with aligning the prescription periods for unclaimed pension balances with the current unclaimed balances framework, and with restricting eligible claimants to members, beneficiaries, executors and those with powers of attorney. Very small balances of less than \$100 should have a shorter prescription period than 30 years. Consideration could be given to a very short prescription period of 1 year; which would essentially be a "write-off" of the balance.

We are in agreement with the proposal of no interest nor administration fees credited / charged to unclaimed balances.

For ease and efficiency of implementation, we agree with the concept of a pre-paid tax. The administrator could withhold and remit the tax upon transfer to the designated entity. A special form should be developed to streamline the reporting process i.e. a form that lists SIN, gross payment and tax withheld for each account. A standard withholding rate should be established for the pre-paid tax as the members province of residence may not be known. When a balance is claimed, it would be paid as a lump-sum "unregistered" amount, and a notice would be provided to the claimant clearly indicating that the balance is net of prepaid tax. The notice would remind the claimant of their responsibilities under the *Income Tax Act*.

Conclusion:

In general, we support the proposals outlined in the Unclaimed Pension Balances Framework issued in June 2018 and we look forward to its successful implementation and any additional consultation opportunities as the details of the policies and processes are established.