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August 21, 2018

Ms. Lynn Hemmings
Acting Director General
Financial Sector Division
Financial Sector Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

By e-mail: FIN.Pensions-Pensions.FIN@canada.ca

Dear Ms. Hemmings:

Re: Consultation on Unclaimed Pension Balances

Thank you for your e-mail dated June 22, 2018 inviting OPB's comments on the Department of Finance Canada ("Finance Canada") consultation on the Proposed Unclaimed Pension Balances Framework (the "Proposed Framework"). I am pleased to have the opportunity to provide OPB's submission in relation to the Proposed Framework below.

About OPB

OPB is the administrator of the Ontario Public Service Pension Plan (the "PSPP"), a major defined benefit pension plan sponsored by the Government of Ontario. Our membership is made up of certain employees of the provincial government and its agencies, boards and commissions. With \$26.5 billion in assets, and approximately 88,000 active and retired members, the PSPP is one of Canada's largest pension plans. It is also one of the country's oldest pension plans, successfully delivering the pension promise since the early 1920s. Our commitment is to protect the long-term sustainability of the PSPP, invest assets astutely and with discipline, keep contribution levels stable and affordable, and deliver exceptional service to our stakeholders.

Unlocatable PSPP beneficiaries

OPB has approximately 800 unlocatable beneficiaries. Increasing personal and labour mobility suggest that the number of missing beneficiaries is likely to increase across all Canadian pension plans. This situation warrants a practical solution that will enable plan administrators to discharge their duties, and plan beneficiaries to access their entitlements.

Proposed Framework should be open to provincially-regulated pension plans

We note that the Proposed Framework would apply only to federally-regulated pension plans. In our previous joint submission to Finance Canada on this issue, dated September 28, 2017, we supported the extension of the unclaimed balances program to cover provincially-regulated pension plans by permitting provincial governments to opt in to the program. In this submission, OPB once again urges Finance Canada to permit provincial governments to opt in to the Proposed Framework. We believe that such an approach commends itself for a number of reasons:

- The establishment of a nation-wide scheme for participating provinces would reduce duplication and enhance efficiency, and would be more visible and accessible to members, in comparison to a multiplicity of provincial schemes.
- Wider participation in the Proposed Framework would yield a larger pool of assets, which may permit the Bank of Canada (the “BoC”) to manage its costs more effectively. At the very least, it would be open to the BoC to recover any costs associated with provincial participation in the Proposed Framework through investment returns on assets under management, or through a fee charged to beneficiaries.
- Inter-governmental co-operation on this matter would exemplify a flexible and pragmatic approach to Canadian federalism.
- In provinces where no unclaimed balance scheme is in place, making the Proposed Framework available would permit pension plans with unlocatable beneficiaries to discharge their obligations.

Proposed Framework should be open to ongoing pension plans on an optional basis

The Proposed Framework would, initially at least, apply only to closed pension plans. OPB supports the extension of the Proposed Framework to cover ongoing plans on an optional basis. As acknowledged in Finance Canada’s consultation document, unlocatable beneficiaries pose challenges for ongoing plans, including compliance with the federal *Income Tax Act* and the requirement to send statements to missing members. More broadly, administrators of ongoing plans have a fiduciary duty to locate and pay benefits to missing beneficiaries, and optional access to the Proposed Framework would be of great benefit to administrators in this regard. Making the Proposed Framework available to ongoing plans would also serve the interests of beneficiaries, including for example where potential beneficiaries wish to check whether they have entitlements but are unsure of the identity of any plan administrator. Further, and as noted above, widening access to the Proposed Framework may also benefit the BoC.

Transfers to the BoC

OPB supports the principle that transfers to the BoC should only be permitted if a beneficiary remains missing after certain search requirements have been satisfied.

- The time period during which a plan administrator must continue to search for a missing beneficiary should be considerably shorter than the 10-year dormancy period applicable to bank account balances. OPB believes that a two-year search period would be appropriate. Given that funds transferred to the BoC would be unlocked, it would be sensible that the time frame for such a transfer would not be less than the two-year period after which non-residents of Canada may unlock their pension entitlements in most provinces, including Ontario. Further, two years is the general limitation period in most provinces, including Ontario, suggesting that two years is a reasonable time frame within which to expect an individual to claim an entitlement.
- A plan administrator must have carried out an individualized search for the beneficiary on a certain number of occasions over the required time period. For example, a requirement of at least two different searches that occur at least one year apart would ensure that a minimum level of due diligence has been applied to the search process.
- As regards individualized search methods, OPB is of the view that there should not be a closed or prescriptive list of acceptable methods, as the options in this regard are likely to change considerably over time. Any open list of possible search methods should include social media-based searches, as well as low-cost private search options such as credit-scoring agencies. There should be no requirement that an administrator use a fee-for-service search method.

Tax obligations

OPB agrees with the proposal that the plan administrator be required to deduct and remit income tax upon transferring assets in relation to a pension entitlement to the BoC. The burden on a plan administrator in this regard should, however, be minimized. Accordingly, OPB proposes that the rate for such deductions should be set at the normal withholding tax applicable to lump sum payments. As well, given that the individual in respect of whom tax is being deducted is missing, tax filing requirements, such as the need to provide a tax slip to the individual, would need to be modified.

Please do not hesitate to contact me at 416.601.4028 or danelle.parkinson@opb.ca if you have any questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Parkinson', with a long, sweeping horizontal line extending to the right.

Danelle Parkinson
Director, Pension Advocacy & Legal