

September 20, 2020

Financial Services Regulatory Authority of Ontario (FSRA)  
5160 Yonge Street, 14th Floor  
Toronto, Ontario  
M2N 6L9

Submitted via the [FSRA website](#)

**Re: Draft Guidance for Consultation on the Issue of Missing Pension Members**

We have reviewed FSRA's two draft Guidance documents: Principles and Practices Regarding Missing Members, and Waiver of Biennial Statements for Missing Former and Retired Members. Thank you for the opportunity to participate in the public consultation.

We are providing our comments in our capacity as a life and health insurance company active in the provision of group life annuities and longevity insurance to defined benefit (DB) pension plans, and the administration and funding of defined contribution (DC) pension plans. Last year, in the DB-pension-risk-transfer market, we were the largest provider of group annuities in Canada, assuming \$1.9 billion of pension liabilities. We have been the largest group annuity provider for many years and as such, care deeply about the protection of members' benefits and the long-term sustainability of DB pension plans. We are also the largest DC plan provider in Canada, with a 41.8% market share of the nation's business.

We are also providing our comments in our capacity as the sponsor and administrator of multiple pension plans with both defined benefit and defined contribution accruals for our Canadian active and former employees.

**Our comments – overview**

We have many years of experience with the time-consuming task of locating missing members. As the largest provider of group annuities to DB pension plans, we regularly win transactions that include missing plan members. As part of the transaction, responsibility for finding and paying these people shifts from the plan administrators to Sun Life. As part of our DC pension plan business, we regularly assist plan administrators in trying to locate missing members and dealing with the various issues that arise from having missing members. As plan administrator for the Sun Life pension plans, we have the fiduciary responsibility and ultimately hold the accountability when partnering with our service providers to locate missing members.

Based on our experience outlined above, we have a strong interest in reducing the number of missing plan members and in becoming more efficient at finding them. This will significantly reduce administrative and regulatory burden for plan administrators across Ontario.

**Principles and Practices Regarding Missing Members – Section 3.4**

We support appropriate communications or engagement strategies. However, we believe that deferred and retired plan members have a primary role in ensuring that plan administrators have accurate contact information. Putting additional emphasis on termination activities does not align with FSRA's intention of not creating additional burden:

- Plan administrators would have to perform this function through call centre support, which would result in additional burden on organizations' human resources (HR) departments.
- HR exit interviews are no longer a common practice within many large organizations, including Sun Life.

**Waiver of Biennial Statements for Missing Former and Retired Members – Section 4.1.1**

We recommend maintaining the previous requirements, which allowed a waiver application to be sent to FSRA's general inbox. The draft Guidance would involve individual lookups for the pension officer associated with each specific plan. In turn, Sun Life would need to develop and communicate specific instructions to each client. To add further complexity, this requirement does not account for those plans where the former or retired member was employed in Ontario but a member of a plan is registered outside of Ontario.

**Waiver of Biennial Statements for Missing Former and Retired Members – Section 4.1.2**

We do not believe that there is a benefit to allowing anyone other than administrators submit a waiver application. Under FSRA's current processes, service providers like Sun Life provide administrators with the information needed to complete and submit a waiver application. Upon request and on a fee-for-service basis, service providers may prepare and send the waiver application to clients for final review, signature and submission.

Given that administrators are ultimately responsible for statements made in the application, they would still need to review and approve waiver applications, even if it is just at the point of when they receive a copy. Adding a secondary process would negate the potential benefit of having a service provider complete the task. It would also create potential confusion about ultimate accountability for the information provided.

**Waiver of Biennial Statements for Missing Former and Retired Members – Section 4.1.5**

We believe it would be sufficient to re-commence sending statements to newly located members rather than requiring the additional step of notifying FSRA, which would create additional burden.

**Waiver of Biennial Statements for Missing Former and Retired Members – Section 4.2.2**

The draft Guidance requirement to keep a record of the application, and any supporting documents, indefinitely exceeds the records retention requirement for other records. Given other records retention requirements, this proposed requirement could create an onerous process and additional burden. For example, if a service provider like Sun Life submitted a waiver application on behalf of a client, Sun Life could be considered the applicant. This would entail additional engagement with the client and increase the risk of human error, especially if the application is not initially approved.

**Other comments**

We would like to take this opportunity to provide other comments related to the missing members issue.

The draft documents do not provide any guidance for if and when liabilities can be extinguished, but rather only for when search efforts can be ceased. As such, the issue of a growing block of missing former or retired plan members for whom multiple unsuccessful search efforts have been taken remains unaddressed. Guidance around when liabilities can be extinguished or introducing a holding fund for unclaimed amounts (mentioned in the Missing Member Registry document) would be helpful.

The Principles and Practices Regarding Missing Members does not address situations where a member is not missing, but is not responding to correspondence. For example, there are instances when we do not receive returned mail, and the member does not make an election due to termination or pension plan wind up. Guidance on this situation would be beneficial for the industry.

Another common situation includes members who cannot be found using all reasonable search methods and are assumed deceased due to their age (e.g. 110). However, it is unclear what happens to the pension obligation for the purposes of record keeping and actuarial valuations. Again, guidance in this area would be beneficial for the industry.

Given our experience, we recommend that outsourced administrators be required to flag or identify unlocatable members in their systems so that statements are not sent to bad addresses. In addition, they should be required to provide reports to plan administrators in a timely manner.

### **Conclusion**

We commend Government for examining this important topic and thank you for considering our comments.

We look forward to continuing to participate in the review process. In particular, we would be happy to share our experience and expertise where they may be helpful through a subsequent meeting.

Sincerely,

Thomas Reid  
Senior Vice-President  
Group Retirement Services

Karen Figueiredo  
Vice President  
Global Retirement & Savings