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SUPERVISION OF LOST ACCOUNTS AND UNCLAIMED PENSION BENEFITS

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ABSTRACT

This paper discusses supervisory practices for, and implications of, lost accounts and unclaimed pension benefits (including unaccounted pension assets). Supervision and proper regulation of the issue of lost accounts and unclaimed pension benefits are important because a loss of contact may result in a forfeiture of substantial retirement benefits for individual members. Proper management and minimising the amount of lost accounts and unclaimed pension benefits are fundamental if supervisors are to build trust in the pension system.

The size of, and the response to, this issue varies from jurisdiction to jurisdiction. While some supervisors actively engage in finding the proper owners of lost accounts and unclaimed benefits or assets and in reducing the occurrence of such events, some supervisors are less actively involved in such processes. The differences in supervisory response can be explained by a number of factors, including different system structures, which cover the extent to which administrators are responsible for managing this issue, differing expectations about member engagement, and the level of system maturity.

As aging of the population deepens and transition from the accumulation phase to the pay-out phase progresses in many jurisdictions, it is likely that the supervisors' role in the area of lost accounts and unclaimed benefits will become more important. Some jurisdictions with relatively short histories of pension systems may therefore be interested in learning from the experiences of, and good practices developed by, more experienced jurisdictions.

Keywords: pension benefits, pension supervision, supervisory reporting, private pensions

JEL codes: D-18, G-23, G-28, D-02

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SUPERVISION OF LOST ACCOUNTS AND UNCLAIMED PENSION BENEFITS

Introduction

1. Consumer protection in pension systems is becoming a vital supervisory area in many jurisdictions. Pension supervisors take various measures such as disclosure, financial education, default options, and auto enrolment to better protect the interests of the consumers of retirement savings products.[1] In addition to these measures, supervisory action to minimise the adverse impacts from lost accounts and unclaimed pension benefits is an important area as, left unaddressed, individual members may otherwise be denied the totality of benefits due and payable to them.

2. Supervisors and associated regulations take diverse approaches toward the issue of lost accounts and unclaimed benefits or assets. In some jurisdictions, the issue is not addressed by pension supervisors and is left to management companies and administrators to handle as a plan operational matter. In other jurisdictions, pension supervisors have a role in addressing the issue, for example by collecting data on lost accounts and unclaimed benefits and/or by building and maintaining infrastructure frameworks that help reconnect members with accounts so as to solve, or lessen, the issue of lost accounts or unclaimed pension benefits.

3. This paper looks at all types of private pension schemes present in responding IOPS jurisdictions and investigates how lost accounts (where the beneficial owner of the account cannot be located) and unclaimed pension assets or benefits (where the beneficiary has a right to payment but has not yet made a claim) are monitored and supervised by pension supervisors. The aim of this paper is therefore to investigate various aspects of the problem of lost accounts and unclaimed pension assets or benefits by addressing the following questions:

- What is the size of this problem? Is this issue supervised and, if so, in what way?
- What processes are in place to identify accounts as being lost or benefits as unclaimed?
- Is there any obligation for pension managers to report on this issue to the supervisor?
- How are beneficiaries informed about unclaimed assets?
- What processes, if any, are in place to reunite assets with beneficial owners?
- What is the legal character of such assets (e.g. do they remain vested in members)?
- If beneficial owners cannot be identified, what eventually happens to the benefits?

[1] For detail, see the forthcoming IOPS Working Paper 'The Role of Supervision Related to Consumer Protection in Private Pension System', IOPS Working Papers on Effective Pension Supervision.

4. The study surveyed private pension schemes of IOPS member jurisdictions, including occupational and personal, and mandatory and voluntary.[2]

1. Definition of lost accounts and unclaimed pension benefits

5. As is often the case with comparisons across jurisdictions, the survey faced the challenge that terminology and definitions vary from jurisdiction to jurisdiction. For the purposes of the survey only, two different scenarios were considered and defined. The term "lost accounts" was adopted for those situations, either during the accumulation or pay-out phase, where the administrator of the pension fund did not have contact details for the holder of an account. The term "unclaimed benefits" was used to describe the more specific case where a member who has a right to claim benefits does not make an application or take other procedural steps to claim the benefits. In the case of unclaimed benefits, the substantive issue is the same as for lost accounts once the administrator has ascertained that current contact details for the member are not available.

6. The survey identified that different jurisdictions adopt a variety of definitions for different specific purposes. Some examples are provided below:

- *Australia*: A lost member is defined as a member of a super fund who is inactive, not contactable, or transferred from another pension provider as a lost member. A member is not a lost member if their address has been confirmed in the past two years, or they have indicated that they want to remain a member. Super providers must report and pay to the Australian Taxation Office (ATO) the following lost accounts as unclaimed pension benefit ("unclaimed super"): lost accounts with balances of less than AU$4,000[3] (small lost member accounts) and lost accounts which have been inactive for a period of 12 months and have insufficient records to ever identify the owner of the account (insoluble lost member accounts).

- *Hong Kong China*: A trustee may treat the accrued benefits as unclaimed benefits under the following circumstances: (i) if a scheme member has become entitled to be paid his/her accrued benefits but no claim has been lodged and the trustee is unable to locate that member within 6 months after taking the specified steps, then the accrued benefits become "unclaimed benefits" at the end of that period; and (ii) if a scheme member has lodged a claim with the trustee but the trustee is subsequently unable to locate that member within 6 months after taking the specified steps, then the accrued benefits become "unclaimed benefits" at the end of that period.

- *Jamaica*: A pension benefit is deemed unclaimed when a member, upon termination of employment or early retirement, and who is not intending to leave the accrued benefits in their pension plan until normal retirement age, fails to complete the relevant forms necessary to initiate the payment of the benefits due.

- *Switzerland*: In its mandatory occupational pension system, funds that are not claimed before the members reach the statutory retirement age (64 for women and 65 for men) are considered as unclaimed benefits. However, such funds still can be claimed until the person in question reaches the age of 100.

[2] Some of the responding IOPS members have supervisory authority over both occupational and personal pensions while the others supervise only occupational pensions. The responses to the questionnaire were based on their own supervisory mandates. For example, Switzerland's Oberaufsichtskommission Berufliche Vorsorge OAK BV provided information about their supervision practices in the mandatory occupational pension system.

[3] AUD $4,000 is worth approximately US$3000 (AUD $1=USD $0.7514 as at the end of August 2016).

2. Supervisors' recognition of the issue

7. A total of 32 IOPS members[4] responded to a questionnaire testing the points set out in the introduction. Member jurisdictions showed different perceptions on the issue in question, depending on each jurisdiction's experiences, institutional structure, and expectations about the level of individual member engagement. A total of 14 members acknowledged that the issue of lost accounts and unclaimed benefits is considered to be a supervisory problem in their jurisdiction. The other 18 members answered negatively, mentioning various reasons such as:

- A few jurisdictions maintain a central register or database which can limit the scope of the problem.
- There have not been many complaints or reports regarding the issue so far.
- Due to the short history of the pension regime, the majority of the pension contracts are in the accumulation phase, and unclaimed benefits or lost accounts only become an issue once a member has a right to withdraw.
- It is the pension service providers' responsibility to keep beneficiary contact information up to date, and while the supervisors perform on-site inspections regarding the issue, there have been no noticeable conduct failures.
- It is the responsibility of pension members to inform employers and pension service providers regarding contact information in case of changes.

8. To some extent, the difference in responses appeared to relate to the extent to which individual members were expected to take an active role in account management over the accumulation phase. In jurisdictions where the member took a largely passive role (e.g. where contributions are contributed and invested on their behalf without any need for active steps by the member), it was considered less important to keep in contact with the member until withdrawal rights accrued. In contrast, in more flexible and complex systems with greater control over accounts by members and more labour mobility, there was greater concern about maintaining contact details for members throughout the period of their membership in the pension scheme.

3. Plausible causes for the occurrence of the issue of lost accounts and unclaimed benefits

9. Based on the questionnaire responses, the following circumstances could contribute to the occurrence of lost accounts and unclaimed pension benefits in any jurisdiction:

- Employers and/or service providers might not make enough effort to keep track of beneficiary information, especially when they are facing operational or financial problems.
- Beneficiaries might not bother to keep the administrator updated with personal information due to low financial literacy or negligence, especially when a person has multiple pension accounts with small asset values.

[4] Albania, Australia, Austria, Brazil, Canada, Chile, Colombia, Gibraltar, Hong Kong China, Hungary, India, Indonesia, Ireland, Jamaica, Lithuania, Macedonia, Maldives, Malta, Mauritius, Mexico, Mozambique, Namibia, Nigeria, Romania, Serbia, Slovakia, South Africa, Spain, Switzerland, Tanzania, Trinidad and Tobago, and Zambia.

- In the case of repeated short-term employment or day-to-day employment, there could be too much information to deal with for employers, pension members, or service providers. In some cases, incomplete or inaccurate information was given about contact details when the account was first established.

- In the case of a members' death, sometimes it is not easy for the members' estate to locate the pension accounts of the deceased.

4. Magnitude of lost accounts and unclaimed benefits issue

10. Although some jurisdictions do collect data on the number of members with lost accounts and the amount of unclaimed benefits regularly or occasionally, only eight jurisdictions out of 32 had data on the number of members with lost accounts and the amount of unclaimed benefits. Among the 14 jurisdictions who answered that the issue of lost accounts and unclaimed benefits is considered as a problem, seven jurisdictions stated that data on lost accounts and unclaimed benefits are not available.

11. In some jurisdictions, the significance of the problem can be illustrated by available data as set out below:

- *Australia*: As at 31 December 2015, the total of lost accounts and unclaimed benefits (as defined in section 1) in Australian pension funds was AU$16.2 billion (US$12.2 billion), comprised of AU$13.5 billion (US$10.1 billion) of lost accounts (in 1.3 million member accounts), and AU$2.7 billion (US$2.0 billion) of unclaimed benefits (in 5 million member accounts). This compares with about AU$2 trillion (US$1.5 trillion) of total assets in Australian pension funds and a total population of members of about 24 million.[5] Therefore, the problem affected a relatively high percentage of pension savers; however, the lost accounts and unclaimed assets represented only about 0.8% of all assets under management.

- *Chile*: In June 2014, 26.7% of deceased retirees as at 31 December 2013 had a positive balance in their individual accounts and no collection of benefits during the preceding three months (April, May, June) had been recorded. This represents 14.5% of retired individuals as at December 2013. The total resources in these accounts equals to 0.17% of the total value of pension funds' assets in 2014.

- *Hong Kong China*: In mid-2016, for unclaimed benefits, there were around 55,000 MPF (mandatory provident fund) accounts involving 47,500 scheme members with unclaimed benefits of HK$1.78 billion (approx. US$230 million), which is around 0.25% of the total assets held under MPF schemes. No official data were collected on the number of lost accounts, but based on industry surveys it was estimated that providers do not have current contact details for between 5% and 10% of accounts out of a total of 9.15 million accounts.

- *Ireland*: Contact with pension scheme providers would indicate that the figures may be around 0.5% of assets under management.

- *Maldives*: As at 25 January 2016, 52 eligible members have not applied for their retirement pension, 16 eligible members have not withdrawn their retirement pension, and 259 members' pension accounts were awaiting inheritance through court.

[5] As at the end of August 2016, AU$1=US$0.7514.

- *Namibia*: The amount of unclaimed benefits was about N$150 million (US$9.5 million) comprised of roughly 130,000 members/beneficiaries, which represents approximately 1.35% of assets and 35.6% of members.[6]

- *South Africa*: As at 30 November 2016, R42,695 million (US$3,050 million) and 4.6 million members from South Africa and other Southern African countries were considered to be affected. This corresponds roughly to 1.8% of total assets.[7]

- *Switzerland*: As at 31 December 2014, a total of CHF51.7 million (US$53.1 million) of unclaimed pension benefits are held in the Guarantee Fund, which is a negligible (<0.07‰) portion of total occupational pension assets.[8]

- *United Kingdom:* With increasing job mobility and wider use of an auto-enrolment system, it is expected that there will be more lost accounts and unclaimed benefits. In 2012, the Department for Work and Pensions of the United Kingdom used a micro-simulation model to project the potential magnitude of unclaimed pension benefits. According to this study, by 2050 there would be approximately 49.5 million dormant workplace direct contribution (DC) pension pots totalling £757 billion.[9]

5. Obligation to report on lost accounts and unclaimed benefits

12. Four jurisdictions (Australia, Hong Kong China, Jamaica, and South Africa) require service providers to report to the pension supervisor or elsewhere on the issue of lost accounts and unclaimed benefits.

- *Australia*: Pension funds should define, identify, and report to the Australian Taxation Office (ATO) details of their members who have lost accounts or unclaimed benefits.

- *Hong Kong China*: Trustees are required to submit a quarterly report on unclaimed benefits, to facilitate the Mandatory Provident Fund Schemes Authority (MPFA) to oversee and keep track of the unclaimed benefits of scheme members.

- *Jamaica*: The trustees of each superannuation fund or retirement scheme are required to provide annually a schedule of such benefits. All unclaimed benefits must be detailed in the statutory report.

- *South Africa*: Since 2010, funds have been required to report on the aggregate face values of the unclaimed benefits for which they are liable.

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6 Based on the data provided for the IOPS project on large pension funds (see Table 2 in a forthcoming IOPS Working Paper 'Macro- and Micro Dimensions of Supervision of Large Pension Funds', IOPS Working Papers on Effective Pension Supervision).

7 OECD Global Pension Statistics, assets value as at 2013.

8 OECD Global Pension Statistics, occupational pension fund assets value as at 2014.

9 **https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222994/dormant_pension_pots.pdf**

6. Measures taken to inform beneficiaries

13. There is a wide spectrum of measures taken to re-establish contact between administrators and beneficiaries among jurisdictions. Some of them specify detailed requirements, including the method of notice and number of contact attempts, while other jurisdictions leave it to the discretion of the service providers.

14. In five jurisdictions (Australia, Austria, Canada, Hong Kong China, and Jamaica), the pension administrators are required to follow *different levels of specifically prescribed measures* to locate the owners of lost accounts and/or unclaimed benefits:

- *Australia*: Pension funds should: (i) define, identify, and report to the Australian Taxation Office (ATO) details of their members who have lost accounts or unclaimed benefits; (ii) trace their suspected lost accounts and unclaimed benefits using the **SuperSeeker** portal of the ATO using their tax file number (TFN) – a unique identifier for each taxpayer – as an identifier; (iii) remit the resulting lost/unclaimed superannuation moneys to the ATO's Unclaimed Super Money Register which collects, holds, and may redistribute the lost/unclaimed moneys using the TFN to unite lost/unclaimed moneys with their members.

- *Austria*: IORPs (institutions for occupational retirement provision) (i) use the contact details of the owners of accounts, or beneficiaries, they have on their records; (ii) if there is no reaction, they try to contact the former employer/sponsor to check the availability of (new) contact details; and/or (iii) use the fee-based information stored in the official public register of residents.

- *Canada*: Each provincial jurisdiction takes steps to trace un-locatable members. General options across jurisdictions include: (i) publishing notices in newspaper; (ii) using media, internet tools, Service Canada & government records; (iii) contacting unions, professional organisations; (iv) searching last known plan records; (v) hiring an agency to locate the member; and (vi) contacting a listed partner or beneficiary if available.

- *Hong Kong China*: For unclaimed benefits, the trustees are required to: (i) send a notice to the scheme member at the last known residential and correspondence address if available; (ii) make three attempts (at different times and dates) within one month to locate the scheme member via other means of contact if known (e.g. all contact phone numbers or fax); and (iii) contact the employer concerned to obtain any contact information on the scheme member and if the contact information so obtained is different from that in the records of the trustee, repeat steps (i) and (ii) above (as the case may be).

- *Jamaica*: The trustees of the fund or scheme should make reasonable enquiries to locate the person, including, where necessary, advertising for him/her and his/her next of kin's whereabouts in the local and overseas editions of national daily newspapers. Such enquiries must be made no later than eight weeks after the benefits became payable, and, thereafter, advertisements should be placed annually for a period of no less than five years.

15. In Chile and Romania, there are some *requirements of general character*, which confirm that the pension administrators hold responsibility to contact beneficiaries and/or inheritors of the benefits of deceased members.

- *Chile:* Pension Funds Administrators (PFAs) are responsible for the identification of those individual accounts with funds, belonging to deceased affiliates, which could constitute inheritance. This identification procedure has to be conducted periodically.

- *Romania*: It is the pension fund administrator's responsibility to contact the heirs of a deceased participant and inform them about the benefits to be claimed.

16. In the Maldives and Switzerland, the processes of locating the owner of lost accounts/unclaimed benefits are *managed by designated public organisations*.

- *Maldives*: Concurrent to publishing on the website a public notice on members who have not collected their benefits, Maldives Pension Administration Office (MPAO) contacts these members directly.

- *Switzerland*: The account-keeping schemes (benefit schemes and schemes which keep portable benefit accounts or policies) must make regular contact with their insured persons in the occupational pension scheme. If this contact can no longer be established, a message must be sent to the 2nd Pillar Central Office. Anyone is able to contact the "Substitute Occupational Benefit Institution" or the 2nd Pillar Central Office to ask if there is any unclaimed pension benefit in his/her name.

17. In Serbia and Trinidad and Tobago, *it is the members who are responsible for providing service providers* with their contact information.

- *Serbia*: Members have an obligation to inform the management company of all relevant changes regarding personal details (change of last name, address, and similar). Based on this information, the management company is able to try to contact the member in writing or via telephone.

- *Trinidad and Tobago*: The members are required to submit "proof of life" documentation quarterly, semi-annually, or annually to trustees or administrators.

18. In the other surveyed jurisdictions, *no specific processes are prescribed*, and the service providers contact the members, using the latest contact information provided, for regular communication, including performance reports, notice of starting time of pension benefits, and others.

7. Centralised information collection for lost accounts and unclaimed pension benefits

19. In some jurisdictions, member data, including contact details, are maintained at a central collection point. Subject to the quality of the data maintained, this can provide an effective solution to the issue of lost accounts and unclaimed benefits. In some jurisdictions, privacy concerns might be an impediment to the establishment of such a database. Colombia, Nigeria, and Slovakia have *centralised databases about general pension members*, which can be useful especially when a member needs to locate multiple fragmented pension accounts.[10]

- *Colombia*: The Pension Manager Union has an identifier system SIAFA (Sistema de Información de las AFPs).

- *Nigeria*: The National Pension Commission (PenCom), as the regulator and supervisor of all pension matters in Nigeria, has a central databank of all registered members of the scheme. The PIN (personal identity number) assigned to every member remains with the individual

[10] Tanzania reported that currently a membership number, given by each scheme, is the unique identifier existing within social security schemes. Efforts are being made by the National Identification Authority (NIDA) to register all qualified citizens. The NIDA number will then serve as a unique identifier in the country.

permanently, and is, therefore, portable from job to job and on transfers from one pension operator to another.

- *Slovakia*: The main public register is operated by a public institution – the Social Insurance Agency (SIA) – where all important personal information about pension savers or beneficiaries can be found (e.g. ID numbers, addresses).

20. Five jurisdictions (Australia, Chile, Hong Kong China, Maldives, and Switzerland) reported that they have a *centralised information collection framework for lost accounts and/or unclaimed benefits,*[11] Other responding authorities did not have plans to create such a framework.

- *Australia*: Pension funds should define, identify, and report to the Australian Taxation Office (ATO) details of their members' who have lost accounts or unclaimed benefits. Members can trace any suspected lost or unclaimed superannuation moneys, using the SuperSeeker[12] portal of the ATO using their tax file number (TFN) as an identifier.

- *Chile*: For unclaimed individual accounts of diseased affiliates, there is a public website[13] of the Superintendence of Pensions where people can search for these accounts by just entering the official national identity (ID) number of a possible owner of the account.

- *Hong Kong China*: The information on unclaimed benefits accounts is kept by the supervisor in the Unclaimed Benefits Register after the benefits in those accounts have been classified as unclaimed benefits. A member of the public can inspect the register for free.

- *Maldives*: Maldives Pension Administration Office (MPAO) keeps a register of information on: (i) members who are eligible to apply for retirement pension; (ii) members who are eligible to withdraw retirement pension; and (iii) members (deceased) awaiting inheritance through court.

- *Switzerland*: There is a central register, called "2nd Pillar Central Office", which must be informed in case of a dormant credit balance. In addition, the Central AHV Register (1st Pillar) at the Central Equalisation Office in Geneva (ZAS) is used to trace the owners of unclaimed benefits in occupational pension schemes.

8. What eventually happens to the lost accounts and unclaimed benefits?

21. The ultimate treatment of lost accounts and unclaimed benefits varies depending on the legal structure and supervisory approach of each jurisdiction. In many jurisdictions, lost accounts and unclaimed benefits stay in the pension funds indefinitely or are treated as unclaimed property. In some others, lost accounts and unclaimed benefits are either managed under a prescribed process, are utilised for the public interest, go into government revenue, or go into the funds income.

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[11] According to the information retrieved from the Internet, the Department for Work and Pensions (DWP) of the UK also provides a lost pensions tracing service in a designated internet website (**https://www.gov.uk/find-lost-pension).**

[12]**https://superseeker.super.ato.gov.au/SuperSeekerWeb/Super/PrivacyAgreement.aspx?Task=69436be5-4919-48ba-a6c6-c9d96b3c9889&NavGraph=Privacy&View=Privacy&pid=71**

[13] **http://www.safp.cl/apps/fcs/fcs.php**

22. Many jurisdictions allow the lost accounts and unclaimed benefits to be *kept in the member account in the pension funds indefinitely*. In other cases, they are treated as regular unclaimed assets following the laws of property rights:

- *Albania, Hong Kong China, Hungary, Indonesia, Ireland, Lithuania, Malta, Slovakia, and Spain*: Unclaimed accounts and benefits remain in the pension funds indefinitely.

- *Brazil*: If there was a sponsor withdrawal and if the pension member is not found, the legal rule determines that the entity makes a deposit in court. The legal rules determine that the limitation period for the right to claim payments is five years.

- *Mauritius*: Unclaimed benefits may be deemed as 'unclaimed property' and thus will be subject to public notice. When a claim has not been made, the court may order the property to be vested to the Curator of Vacant Estate (a public official). According to the Civil Code, any claimant has a period of 30 years (after the date the benefits became due) to claim the benefits.

- *Zambia*: Unclaimed benefits are subject to the Administrator General's legislation where ultimately unclaimed benefits are reposed in the State.

23. In four jurisdictions (Canada, Ireland, Jamaica, and South Africa), the lost accounts and unclaimed benefits are *treated under specifically prescribed processes*:

- *Canada (federal)*: If a plan administrator is unable to locate all members and beneficiaries, they may: (i) purchase deferred annuities for the members or beneficiaries; (ii) pay the funds into the Court; (iii) apply to the Court for its opinion, advice, or direction; (iv) maintain the plan's fund and continue to file financial statements and valuation reports (if applicable); or (v) see if other options are available for any former members or beneficiaries of the plan who fall under provincial jurisdiction.

- *Ireland*: The trustees currently have the facility to transfer deferred members pension funds to a buy-out bond[14] in particular circumstances, including where the member has left the service provider more than two years previously, and/or the value of the benefit at the date of transfer is less than €10,000, etc. Lost accounts and unclaimed benefits could remain in the scheme indefinitely.

- *Jamaica*: Trustees of an on-going plan place advertisements for at least five years, following which the benefit will remain in the plan for a period of 150 years before reverting to the fund or scheme. For a fund or scheme that is winding up, after advertising for five years the monies are paid over to the Supreme Court within six months.

- *South Africa*: A benefit which is not paid by a fund becomes an 'unclaimed benefit' after 24 months from the date at which it became legally due and payable to the former member. The unclaimed benefit may be retained as such in the fund or it can be transferred to an unclaimed benefit preservation fund, which is a 'special purpose' preservation fund used to house unclaimed

[14] *Buy-out bond:* "the purchase by the trustees of a pension scheme of an insurance policy or bond in the name of a member or other beneficiaries following termination of service, retirement, or on winding-up of a scheme. The bond is bought in substitution of the members rights under the pension scheme. Under the Pensions Act, purchase of such a bond on leaving a service provider may be at the option of the member or, in certain circumstances, at the option of the trustees" (**http://www.pensionsauthority.ie/en/LifeCycle/Glossary/?index=B**).

benefits. The unclaimed benefit is maintained in a fund or an unclaimed benefit fund until it is claimed.

24. In Colombia, Mexico, and Switzerland, the lost accounts and unclaimed benefits are *utilised for public interest*.

- *Colombia*: Unclaimed pension benefits go to the Solidarity Pension Fund (SPF).[15] In the case where the member dies and there are no benefactors for the outstanding balance, that money will go to the Minimum Pension Guarantee Fund (MPGF).

- *Mexico*: If there is a remainder in the individual account, which is not claimed within ten years from the date the pension was awarded, the funds default back to the social security agency (IMSS).

- *Switzerland*: All unclaimed pension benefits have to be transferred to the Guarantee Fund ten years after the regular pensionable age. The Guarantee Fund still fulfils the entitlements until the account owner would have reached the age of 100. After which the unclaimed benefits are used in order to finance the Guarantee Fund.

25. In Australia, Namibia, Serbia, and Tanzania, the lost accounts and unclaimed benefits *ultimately become government revenue*:

- *Australia*: Where an amount is received by the ATO's Unclaimed Super Members Register, it becomes part of the Government's Consolidated Revenue until it is claimed by the member (or is otherwise reunited with the member). After the member has died, their estate/executor/administrator can contact the ATO or the fund if the amount is still with the fund, and claim the superannuation entitlement at any time.

- *Namibia*: Benefits unclaimed for five years must be paid over to the Guardian's Fund administered by the Master of the High Court in terms of the Administration of Estates Act. The benefits remain in this fund for a period of 30 years, after which such benefits revert to government revenue.

- *Serbia*: A member must start to use and withdraw pooled funds at the age of 70 at the latest. If no inheritor claims inheritance rights after a public invitation, the court will render a resolution by which it will delegate usage of the inheritance to the Republic of Serbia. The state acquires ownership after three years.

- *Tanzania*: The unclaimed pension money eventually is passed to the Consolidate Fund of the Government.[16]

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[15] *The Solidarity Pension Fund (SPF)* is administered in a separate account by the Ministry of Labour. The SPF has a solidarity account and a subsistence account. The fund is used to increase coverage to those members of the population, such as low-income workers, indigents, or those in extreme poverty, who could not otherwise participate in the social security system. (Source: IOPS Member country or territory pension system profile: Colombia, p. 6, 2012, **www.iopsweb.org**).

[16] According to the Public Finance Act (2001) of the United Republic of Tanzania, all revenues or other moneys raised or received for the purposes of the government (not being revenues or other money that are payable by or under any law into some other fund established for any specific purpose or that may, by or under any law, be retained by the authority that received them for the purpose of defraying the expenses of that authority) shall be paid into and form a Consolidate Fund.

26. In Romania, the lost accounts and unclaimed benefits *are shared amongst all pension fund members*:

- *Romania*: If the pension fund administrator can demonstrate that it has made all the necessary efforts and undertaken due-diligence to contact the beneficiaries (heirs), after a period of three years unclaimed benefits are redirected to the pension funds to increase pension assets for all pension fund members.

27. In Chile, there are different treatments for unclaimed account balances, uncollected pension payments, and unknown contributions.

- For unclaimed individual accounts of diseased affiliates, if there are no legal beneficiaries or heirs, the resources pass into government revenue, according to legal regulation.

- For pension payments uncollected for 60 days, the funds are reintegrated into the pension fund of the beneficiary.

- When "unknown" contributions have spent over 20 years unidentified, that is without valid information on name and ID number, the PFA can transfer such resources into a non-redistributed Return account and redistribute them among all five funds with different investment strategies (A, B, C, D, E), in proportion to the value of the equity of each investment portfolio exhibited on the last working day of the month prior to the transfer.

Conclusion and supervisory implications

28. The emergence of modern, second pillar, private pension systems in many jurisdictions has resulted in expanded pension coverage across populations. Whereas in the past, coverage may have been limited to some employees of some employers, in many jurisdictions coverage now covers the entire formal employed population and in some cases also extends to casual workers, the self-employed, and non-workers. One of the challenges of such broad-based systems is the maintenance of contact details for accounts. Whereas, in the past, a strong employment nexus made it easier to keep in touch with members, modern schemes face greater challenges in maintaining contact with members in much more diverse situations over a very long time period of up to and beyond 40 years: the member may have changed jobs multiple times, might no longer be employed, may have multiple accounts across different pension schemes, may have changed address or may even have left the jurisdiction. Supervision and proper regulation of lost accounts and unclaimed benefits are important because a loss of contact details may result in a forfeiture of substantial retirement benefits for individual members. From the administrators' perspective, loss of contact details can also create an administrative burden in terms of finding the owner and in dealing with benefits that cannot be reconnected to their rightful owner. Managing and minimising the amount of lost accounts and unclaimed pension benefits is one of the fundamental areas for supervisors to build trust in the pension system.

29. As indicated by the survey responses, the size of, and the response to, the issue varies from jurisdiction to jurisdiction. While some supervisors actively engage in finding the proper owners of lost accounts and unclaimed benefits and in reducing the occurrence of unhandled benefits, some supervisors are not engaged in this process. The differences in supervisory responses in this area can be explained by a number of factors, including different system structures, which cover the extent to which administrators are responsible for managing this issue, differing expectations about member engagement, and the level of system maturity (some systems are still relatively young and the problem has not emerged yet).

30. In those systems where members can have accounts across multiple pension schemes, one strategy to manage the issue is to provide some centralised facility that can link pension assets with their respective owners and beneficiaries across schemes. In a similar vein, using some public authority to identify all pension system users and update contact data may help to link deceased owners of pension assets with their next-of-kin and thus minimise the occurrence of unclaimed pension benefits/assets. The utility of such systems will however depend on local circumstances, such as the ability of a public authority to gather and maintain such data having regard to the local approach to privacy and data security.

31. Supervisors in some jurisdictions have specifically prescribed processes and measures to locate the owners of lost accounts and/or unclaimed benefits. In other jurisdictions, there are no specific processes and it is the service providers that are obliged to contact the members and beneficiaries to the best of their ability. Considering that it cannot be assumed that the service providers might use their best possible efforts to solve the problem, some clearly documented supervisory guidelines may help to provide a concrete framework for them to follow.

32. However, notwithstanding the quality of systems and the best efforts of supervisors and administrators to maintain current contact information for members, it is inevitable that in large and diverse systems, there will always be some number of members who cannot be located or connected to benefits in pension accounts. Some clear rules or frameworks are therefore necessary in determining the ultimate disposition of such lost or unclaimed benefits. In some jurisdictions, the lost accounts and unclaimed benefits are therefore kept in the pension funds indefinitely, in others the unallocated assets are used for public interest after a designated period of time has elapsed and in some cases courts or tribunals can deal with such benefits at their discretion. The variety of approaches among the jurisdictions presented in this survey indicate that there is no simple consensus on the approach to be taken, and the solution adopted locally will depend on the legal systems, general property rights, and/or pension specific rules.

33. As aging of the population deepens and transition from accumulation phase to pay-out phase progresses in many jurisdictions, it is likely that the supervisors’ role in the area of lost accounts and unclaimed benefits will become more important. Some jurisdictions with relatively short histories of pension systems may therefore be interested in learning from the experiences of, and good practices developed by, more experienced jurisdictions.

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