Supervision of lost pension accounts and unclaimed benefits

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Abstract

Purpose – The purpose of this paper is to investigate how private pension supervisors in selected jurisdictions monitor and address lost pension accounts and unclaimed pension assets or benefits and draw supervisory implications.

Design/methodology/approach – This paper is based on the survey on private pension schemes of selected International Organisation of Pension Supervisors member jurisdictions.

Findings – This paper finds that there are differences in severity of the issue of lost pension accounts and unclaimed pension benefits among jurisdictions, and that pension supervisors/regulators differ with regard to awareness of and approaches taken to handle this issue. Some jurisdictions show a well-established systematic approach to deal effectively with the problem of lost pension accounts or unclaimed benefits, while other jurisdictions are yet to recognise and tackle the issue.

Originality/value – To the best of the authors’ knowledge, this is the first larger cross-country study on lost pension accounts and unclaimed benefits in private pension schemes. The paper presents international comparison of this issue in 32 different jurisdictions and provides examples of good supervisory or regulatory practices.

Keywords Consumer protection, Funded pensions, Lost accounts, Pension supervision, Private pensions, Unclaimed benefits

Paper type Research paper

1. Introduction

In conjunction with the rapid growth and widening coverage of private pension schemes, consumer protection in pension systems is becoming a vital supervisory area in many countries. The emergence of private pension systems in many jurisdictions has resulted in expanded pension coverage across populations. Whereas in the past, coverage may have been limited to employees of only some employers; in many jurisdictions, pension arrangements now cover the entire formal employed population and in some cases also are extended to casual workers, the self-employed and non-workers.

One of the challenges for private pension systems is the maintenance of contact details for accounts. In the past, a strong employment nexus made it easier to keep in touch with pension members, but nowadays pension schemes face greater challenges in maintaining contact with their members. They include the fact that individuals tend to change their jobs
multiple times, may be unemployed, have multiple accounts across different pension schemes, have changed address or may even have left the country.

Pension policymakers and supervisors take various steps to mitigate these problems. They introduce disclosure requirements, advocate financial education campaigns, offer default options or implement auto enrolment to protect the interests of pension consumers (Paklina, 2016; IOPS, 2018). In addition to these general consumer-protection measures, direct supervisory actions to minimise the adverse impact of lost accounts and unclaimed pension benefits is an important area as, if left unaddressed, some pension scheme members or their beneficiaries might otherwise be denied their retirement benefits.

Supervisors and associated regulators take diverse approaches toward the issue of lost pension accounts and unclaimed pension benefits or assets. In some jurisdictions, supervisors do not address the issue of lost accounts and unclaimed benefits. Instead, it is a plan operational matter under the responsibility of management companies and administrators. In other jurisdictions, pension supervisors do play a role in addressing the issue. The measures taken include collecting data on lost accounts and unclaimed benefits and/or building and maintaining infrastructure frameworks that help reconnect members with accounts to solve, or lessen, the issue of lost accounts or unclaimed pension benefits.

The aim of this paper is to investigate how private pension supervisors monitor and address lost pension accounts and unclaimed pension assets or benefits and based on the evidence draw implications for policy. In this paper, lost pension accounts are defined as such where the beneficial owner of the account cannot be located, and unclaimed pension assets or benefits relate to these cases the beneficiary has a right to payment but has not yet made a claim.

The study is based on a survey on private pension schemes of jurisdictions belonging to the International Organisation of Pension Supervisors (IOPS), including occupational and personal, and mandatory and voluntary schemes[1]. In all, 32 IOPS members responded to the survey questionnaire in 2016[2].

2. Related literature and relevant supervisory principles
The issue of lost pension accounts and pension benefits has not been widely covered by academia and policy researchers, at least at the cross-country level. Moreover, the available research tends to focus on Anglo-Saxon countries.

Blake and Turner (2001) point out the difficulties in tracing lost pensions by retirees in the USA and offer as a policy recommendation the experience of the UK in which a cost-effective national pension register set up by the government in 1991 and financed by a levy on all registered pension plans has proved to be an effective solution. A similar arrangement was created in Australia. Blake and Turner (2002) reiterate these findings for the USA, the UK and Australia and argue that in the latter two countries it is much easier to trace pensions, as workers need only to contact a single source (i.e. the register) that is specifically designated for assisting them in this task.

Bruce and Turner (2002, 2004) also focus on the USA. In their 2002 paper, the authors discuss the ultimate disposition of lost pension funds and conclude that this is an unsettled issue. They suggest escheating lost pension money to the Social Security OASI trust fund, which can act as a contact point for pensioners. In their 2004 paper, the authors investigate the causes, extent, as well as the regulatory and institutional aspects of lost pensions and suggest policy options to lessen the amount of unclaimed money. Bruce and Turner (2004) propose setting up a central depository for unclaimed pension funds to be run by the Pension Benefit Guaranty Corporation. They anticipate that the amount of money at stake could greatly increase with the retirement of the baby boom generation.
Bruce et al. (2005) describe the characteristics of lost pensioners and their former employers in the USA and discuss implications of the effectiveness of existing government policies.

Shury and Koerbitz (2010) present the results of a survey run amongst users of the Pension Tracking Service, a free service available since 2005 to the general public in the UK to assist individuals in tracking down lost pensions. Most of the users were either people approaching retirement or people who had already retired. Another finding was that the users tended to have low education and income, which likely results in their lower financial skills and creates the need for the Pension Tracking Service to offer them clear and simple communication.

Schubert (2016) provides a recent update on the situation in South Africa, where the issue of lost benefits proved to be a matter of concern.

Supervisory principles relating to pension matters do not specifically provide guidance on how to address the issue of lost pension accounts and unclaimed pension benefits. However, there are some overall principles regarding the roles of supervisors and other relevant parties in consumer protection. IOPS Principles of Private Pension Supervision (IOPS, 2010) clearly state that “the principal strategic objectives of the pension supervisors [...] should include a focus on the protection of pension members and beneficiaries’ interest.” (Principle 1: Objectives). This implies that pension supervision should cover the issue of lost pension accounts and unclaimed benefits if it contributes to the protection of pension members and beneficiaries’ interests.

OECD (2016) addresses the role of related parties in terms of keeping the best interest of pension members. It states “pension funds and pension entities, their external service providers and authorised agents, and other intermediaries operating in the personal pensions market should work in the best interest of plan members and be responsible and be held accountable for upholding financial consumer protection (Core Principle 10). OECD also stresses the importance of disclosure and education by stating that appropriate disclosure and education should be promoted regarding benefits and member’s rights and responsibilities (Core Principle 5).

The insurance sector has a similar principle. IAIS(2015) states that:

The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied (Insurance Core Principle 19).

Storage and management of data on pension accounts and benefits in centralised databases raises a series of concerns related to security and privacy (Zeadally and Badra, 2015) and ethical issues. OECD (2013) provides “Revised Guidelines on the Protection of Privacy and Transborder Flows of Personal Data” that can be applied to pension-related centralised databases as well. These issues are outside the scope of this article, however.

3. Magnitude of lost accounts and unclaimed benefits

Although many surveyed jurisdictions 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 precise data. Among the 14 jurisdictions who indicated that the issue of lost pension accounts and unclaimed benefits is a problem, seven jurisdictions stated that no relevant data were available.

In some jurisdictions, the significance of the problem is illustrated by available data as set out below:
• **Australia**: As of December 31, 2015, the amount of lost accounts and unclaimed benefits (as defined in Section 1) in Australian pension funds was AU$16.2bn (US $12.2bn), comprised of AU$13.5bn (US$10.1bn) of lost accounts (in 1.3 million member accounts), and AU$2.7bn (US$2.0bn) of unclaimed benefits (in 5 million member accounts). This compares with about AU$2tn (US$1.5tn) of total assets in Australian pension funds and a total member population of about 24 million[3]. Therefore, the problem affected a relatively high percentage of pension savers; however, the lost accounts and unclaimed assets represented only about 0.8 per cent of all assets under management.

• **Chile**: In June 2014, 26.7 per cent of deceased retirees as of December 31, 2013, had a positive balance in their individual accounts and no collection of benefits during the preceding three months (April, May, June) was recorded. This represents 14.5 per cent of retired individuals as of December 2013. The total resources in these accounts equals to 0.17 per cent 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$1.78bn (approx. US$230mn), which is roughly 0.25 per cent 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 per cent 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 per cent of assets under management.

• **Maldives**: As of January 25, 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.

• **Namibia**: The amount of unclaimed benefits was about N$150mn (US$9.5mn) comprised of roughly 130,000 members/beneficiaries, which represents approximately 1.35 per cent of assets and 35.6 per cent of members[4].

• **South Afrique**: As of November 30, 2016, R42,695mn (US$3,050mn) and 4.6 million members from South Africa and other Southern African countries were considered to be affected. This corresponds roughly to 1.8 per cent of total assets[5].

• **Switzerland**: As of December 31, 2014, a total of CHF51.7mn (US$53.1mn) of unclaimed pension benefits are held in the Guarantee Fund, which is a negligible (<0.07 per cent) portion of total occupational pension assets[6].

The magnitude and severity of the problem varies across jurisdictions. However, with increasing job mobility and wider use of an auto-enrolment system, more lost accounts and unclaimed benefits are likely if the problem is not addressed properly in time. The Department for Work and Pensions of the United Kingdom used a micro-simulation model to project the potential magnitude of unclaimed pension benefits (DWP, 2012). According to this study, by 2050 there would be approximately 49.5 million dormant workplace direct contribution (DC) pension pots totalling £757bn[7].
4. Causes of occurrence of lost accounts and unclaimed benefits and recognition of the issue by supervisors

4.1 Causes of occurrence of lost accounts and unclaimed benefits

Many factors can contribute to the occurrence of lost pension accounts and unclaimed pension benefits. The following circumstances can have an impact on this issue:

- Employers and/or service providers might not make sufficient effort to keep track of beneficiary information, especially when they are facing operational or financial problems.
- In the case of repeated short-term employment contracts or day-to-day employment, there could be too much information for employers, pension members, or service providers to manage.
- Beneficiaries might not bother to keep the administrator updated with personal information because of low financial literacy or negligence, especially when a person has multiple pension accounts with small asset values.
- In the case of a members’ death, sometimes it is not easy for the members’ estate to locate the pension accounts of the deceased.

The first two points mainly relate to the conduct of pension service providers, which should be addressed by pension supervision or regulation. The third point relates to financial literacy of pension members, which is another area that pension supervisors should address. The last item can be addressed most conveniently by establishing a data gathering system.

4.2 Supervisors recognition of the issue

In all, 32 IOPS members responded to a questionnaire probing the issue of lost pension accounts or unclaimed benefits. Member jurisdictions had different views on the issue in question, depending on their particular experiences, institutional structure and expectations about the level of individual member engagement; 14 members acknowledged that lost accounts or unclaimed benefits are 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.
- Because of 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.

Among the points above, only the first case suggests virtually no problems with lost pension accounts and unclaimed pension benefits. The other points show that such problems are latent and possibly emerging, or the pension supervisors are unaware of or overlooking them. The difference in responses appears to relate to the extent to which individual members are expected to take an active role in account management over the
accumulation phase. In jurisdictions where the members are largely passive (e.g. where contributions are paid and invested on their behalf without any need for actions by members), it is considered less important to keep in contact with the member until retirement rights are accrued. In contrast, in more flexible and complex systems with greater control over accounts by members and more labour mobility, there is greater concern about maintaining members’ contact details throughout the period of their membership in the pension scheme.

5. Supervisory practices on lost accounts and unclaimed benefits

5.1 Obligation to report on lost accounts and unclaimed benefits

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 pension accounts and unclaimed benefits:

1. **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.

2. **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.

3. **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.

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

Collecting information from the supervised entities is the first step the supervisors should take to understand the situation and to start thinking about proper action to address the problem. For the supervisors who do not collect information on lost accounts and unclaimed benefits, it is the starting point to require so that pension service providers report this relevant information.

5.2 Measures taken to inform beneficiaries

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

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:

1. **Australia**: Pension funds should define, identify and report to the ATO details of their members who have lost accounts or unclaimed benefits; 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; and 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.
(2) Austria: IORPs (Institutions for Occupational Retirement Provision) use the contact details of the owners of accounts or beneficiaries they have on their records; if there is no reaction, they try to contact the former employer/sponsor to check the availability of (new) contact details; and/or use the fee-based information stored in the official public register of residents.

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

(4) Hong Kong China: For unclaimed benefits, the trustees are required to send a notice to the scheme member at the last known residential and correspondence address if available; 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 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 the first two steps (as the case may be).

(5) 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.

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.

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.
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.

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.

### 5.3 Centralised information collection for lost accounts and unclaimed pension benefits

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[8]:

- **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 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 and addresses).

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[9]:

1) **Australia:** Pension funds should define, identify, and report to the 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[10] portal of the ATO using their TFN as an identifier.

2) **Chile:** For unclaimed individual accounts of diseased affiliates, there is a public website[11] of the Superintendency 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.

3) **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 free of charge.

(4) Maldives: Maldives Pension Administration Office (MPAO) keeps a register of information on members who are eligible to apply for retirement pension, members who are eligible to withdraw retirement pension and members (deceased) awaiting inheritance through court.

(5) 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.

It seems that establishing a centralised database is the most effective way to resolve the problem of lost pension accounts and unclaimed benefits. This confirms findings by Blake and Turner (2001, 2002). However, it can be quite costly to establish such system from scratch. In some cases, it might be beyond the authoritative range of pension supervisors or regulators to build such a system. In that case, obtaining permission from the tax authority to use their database can be an efficient approach.

6. What eventually happens to the lost pension accounts and unclaimed benefits?
The ultimate treatment of lost pension 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 managed under a prescribed process, are utilised for the public interest, go into government revenue, or go into the fund’s income.

Many jurisdictions allow the lost accounts and unclaimed benefits to be kept in the member account in the pension fund 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 pension 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.

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

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

(2) Ireland: The trustees currently have the facility to transfer deferred members pension funds to a buy-out bond[12] 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.

(3) 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.

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

In Colombia, Mexico and Switzerland, the lost pension accounts and unclaimed benefits are used for public interest:

- Colombia: Unclaimed pension benefits go to the Solidarity Pension Fund (SPF)[13]. 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.

- 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 to finance the Guarantee Fund.

In Australia, Namibia, Serbia and Tanzania, the lost pension 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[14].

In Chile and Romania, the lost pension accounts and unclaimed benefits are shared amongst all pension fund members of the pension funds:

- **Chile:** 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.

- **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.

The ways the ultimately lost pension accounts and unclaimed benefits are treated are largely governed by the property laws of the jurisdiction if there is no special law and/or regulation regarding lost pension accounts and unclaimed pension benefits. If the pension supervisors or regulators find a certain treatment is better than others in terms of the best interest of pension members, then they can start establishing desirable procedures for the ultimately unclaimed pension money. For example, if they find that leaving the money indefinitely in pension funds is inefficient because of the administrative costs, then they might consider redirecting the ultimately unclaimed pension money to the existing pension members or the general public.

7. Conclusion
Supervision and proper regulation of lost pension accounts and unclaimed pension 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.

The size of, and the response to this issue varies from jurisdiction to jurisdiction. While some pension supervisors actively engage in finding the proper owners of lost pension 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).

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.

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.

However, notwithstanding the quality of systems and the best efforts of pension 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 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.

As aging of the population deepens and transition from accumulation phase to payout 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.

**Notes**

1. Some of the responding members of the International Organisation of Pension Supervisors (IOPS) 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.

2. Responding jurisdictions and the respective supervisory/regulatory authorities were: Albania (Financial Supervisory Authority), Australia (Australian Prudential Regulation Authority), Austria (Austria Financial Market Authority), Brazil (National Superintendence for Closed Pension Funds), Canada (Canadian Association of Pension Supervisory Authorities), Chile (Pensions Superintendence), Colombia (Financial Superintendence of Colombia), Gibraltar (Financial Services Commission), Hong Kong China (Mandatory Provident Fund Schemes Authority), Hungary (Central Bank of Hungary), India (Pension Fund Regulatory and Development Authority), Indonesia (Financial Services Authority), Ireland (Pensions Authority), Jamaica (Financial Services Commission), Lithuania (Bank of Lithuania), FYR of Macedonia (Agency for Supervision of Fully Funded Pension Insurance), Maldives (Capital Market Development Authority), Malta (Financial Services Authority), Mauritius (Financial Services...
Commission), Mexico (National Commission of the Retirement Savings System), Mozambique (Mozambique Supervisory Institute of Insurance), Namibia (Namibia Financial Institutions Supervisory Authority), Nigeria (National Pension Commission), Romania (Financial Supervisory Authority), Serbia (National Bank of Serbia), Slovak Republic (National Bank of the Slovakia), South Africa (Financial Services Board), Spain (Ministry of Economy and Competitiveness), Switzerland (Swiss Occupational Pension Supervisory Commission), Tanzania (Social Security Regulatory Authority), Trinidad and Tobago (Central Bank of Trinidad and Tobago), and Zambia (Pension and Insurance Authority).

3. As at the end of August 2016, AU$1 = US$0.7514.

4. Based on the data provided for the IOPS project on large pension funds (see Table II in IOPS, 2017).

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

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


8. 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.

9. 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, www.gov.uk/find-lost-pension


12. *Buy-out bond* is "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" (www.pensionsauthority.ie/en/LifeCycle/Glossary/?index=B).

13. 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).

14. 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.

References


Further reading


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