



Policy Bulletin #10

Issued June 1997 / Revised October 2006

Locked-In Retirement Account (LIRA)

The purposes of this Bulletin are to explain the characteristics of LIRAs and to outline the responsibilities of pension plan administrators and LIRA carriers (financial Institutions) involved in transferring and holding locked-in pension funds.

The *Employment Pension Plans Act* (the Act) and the *Employment Pension Plans Regulation* (the Regulation), require pension plans to allow terminating members the option of transferring their locked-in pension funds out of the company pension plan to a locked-in vehicle. One eligible vehicle for receiving locked-in funds is a LIRA. This Bulletin has no legal authority. The Act and Regulation should be used to determine specific legislative requirements.

Legislative References

ACT	Sections 30(5), 38, 39 and 64 of the Act outline when a member, surviving pension partner or non-member pension partner is eligible to transfer locked-in pension funds to a LIRA.
REGULATION	Sections 38 and 39 of the Regulation outline the conditions for transfer to and the contractual requirements of a LIRA, as well as the responsibilities of the financial institution issuing the LIRA and the financial institution or pension plan administrator transferring the funds to a LIRA. Section 43 sets out rules for spousal waivers. Schedule 1 contains the prescribed LIRA addendum and waiver forms; Schedule 2 is the prescribed Application for Inclusion on the Superintendent's List .
New Locked-in Addendum	To be a LIRA, a Registered Retirement Savings Plan (RRSP) contract must have attached to it a copy of the addendum prescribed in Schedule 1, Form 1 with respect to LIRAs. The LIRA addendum must form part of the contract between the owner and the financial institution and the terms of the addendum take precedence over any other provision in the contract where there is a conflict. A copy of the entire contract, including the addendum, must be provided to the LIRA owner when a LIRA is purchased.

**Terms Used in the
Bulletin and the
Prescribed Addendum**

Locking In: means that the funds in the LIRA may not be paid in cash to the Original Owner. Instead they must be used to provide lifetime retirement income, beginning no earlier than age 50, for the Original Owner and their Pension Partner, if any, through the purchase of one or more of

- (a) a LIF,
- (b) a pension or DC RIA under a pension plan, or
- (c) a non-commutable life annuity.

Alberta Locked-in Funds: funds that were originally transferred to a LIRA from a pension plan to which the locking-in rules of the Act and Regulation apply, by

- (a) a pension plan member who terminated membership in Alberta,
- (b) a surviving Pension Partner of a pension plan member who died while employed in Alberta, or
- (c) a former Pension Partner of a pension plan member who was employed in Alberta at the time of their marriage breakdown.

This does not include the pension funds of persons who worked in Alberta whose pension plans are subject to federal legislation: federal civil, military and police employees, and employees in federally-regulated industries (banking, telecommunications, shipping, and inter-provincial transportation).

Pension Partner: a married or common-law spouse of the Original Owner of a locked-in account; that is, a married spouse who has not been separated from the Original Owner for over three years, or if there is no such person, a common-law spouse living in a conjugal relationship with the Original Owner for three years, or “in a relationship of some permanence” if they have a child.

Owner: an Original Owner (see below), or a Surviving Pension Partner Owner (see below) or a Non-Member Pension Partner (see below).

Original Owner: a former pension plan member who has transferred his/her pension entitlement from the pension plan to a locked-in account.

Surviving Pension Partner Owner: a Pension Partner who acquired the account as a result of the pension plan member’s death, whether that death occurred before or after the member transferred their funds out of the pension plan.

Non-Member Pension Partner Owner: an Owner who acquired a locked-in account as a result of a matrimonial property settlement.

Waiver: there are several instances where the Pension Partner of an Original Owner may waive (give up) some or all of an entitlement. Various waivers are prescribed in the Regulation to accommodate these different circumstances. References to a numbered form in this Bulletin refer to the specific prescribed waiver that is applicable in the circumstance being discussed. (See [Policy Bulletin # 35 – Pension Partner Waivers](#)).

Defined Contribution Retirement Income Account (DC RIA): an account similar to a LIF that may be offered by a defined contribution pension plan, to and from which locked-in funds may be transferred. (See [Policy Bulletin #30 – Defined Contribution Retirement Income Accounts](#)).

Purpose of a LIRA

A LIRA is a restricted form of RRSP designated specifically to hold and invest locked-in pension funds until such time as they are used to purchase a life annuity or retirement income through a LIF or DC RIA. That is, a LIRA is subject to all rules of the *Income Tax Act*, Canada that apply to RRSPs. In addition, the Regulation imposes rules which, among other things restrict withdrawals and provide spousal protection.

Provisions of the LIRA Addendum

The rules governing LIRAs and the financial institutions that offer them are mainly set out in sections 38 and 39 of the Regulation, although other provisions of the Act and regulation are also relevant, including definitions in the Act and Regulation.

To be a LIRA, an RRSP contract must have, attached to and forming part of it, the prescribed addendum, which contains most of these rules. The prescribed addendum provisions take precedence over any other terms in the LIRA contract where there is a conflict.

A copy of the entire contract, including the prescribed addendum must be provided to each LIRA Owner at the time that the LIRA is established.

The addendum provides that

- funds may be transferred into a LIRA only from another LIRA or from a pension plan (other than the DC RIA provision of a pension plan),
- the LIRA must be administered in accordance with the Act and Regulations
- investments must comply with the rules for the investments of RRSPs under the *Income Tax Act*, Canada (Note: the prohibition against investing in the mortgage of the Owner or a relative of the Owner has been removed).
- only Alberta Locked-in Funds may be held in the LIRA
- the automatic beneficiary of a LIRA whose Owner is an Original Owner with a Pension Partner is that Pension Partner unless she/she has, prior to the Original Owner's death, signed and filed with the LIRA issuer a [Form 3](#) waiver. A pension partner may revoke this waiver at any time prior to the death of the Owner.
- on the death of an Original Owner, who at the date of death had a Pension Partner who had **not** waived beneficiary status, the amount in the fund must be paid as a locked-in transfer to the LIRA, LIF or pension plan of the surviving Pension Partner.
- if there is no surviving Pension Partner as described above, the LIRA is to be paid in cash to the beneficiary, if one has been designated, or to the estate of the Owner, as applicable.
- prior to retirement, funds in the LIRA may be transferred to another LIRA or into a pension plan in which the member is participating.
- LIRA funds must ultimately be used to provide a form of retirement benefit permitted by the Act; therefore, any time after the Owner attains age 50, LIRA funds may be transferred to a LIF, DC RIA, or life annuity (or into a pension plan).
- if the Owner is an Original Owner with a Pension Partner at the time funds are to be transferred to a LIF, DC RIA or to a life annuity that will provide the Pension Partner with anything less than a 60% joint life form of benefit, Option 2 of the [Form 6](#) waiver must be signed by the Pension Partner and filed with the LIRA issuer before any funds can be moved from the LIRA. (Note: at this point a waiver under [Form 3](#) becomes null and void).
- before transferring funds to a LIF, DC RIA or life annuity, the LIRA issuer must provide the Owner with a statement

showing the balance in the account and offering the Owner, subject to a Pension Partner waiver under Option 1 of [Form 6](#) in the case of an Original Owner with a Pension Partner, the option to unlock up to 50% of the value of the account and transfer it to an RRSP, RRIF or receive the sum in cash (See [Policy Bulletin # 34 – 50% Unlocking](#)).

- copies of any waivers signed by a Pension Partner of an Original Owner must be attached to and become part of the LIRA contract.
- in the event of marriage breakdown the LIRA may be split between the Owner and the ex-spouse pursuant to a matrimonial property order filed with the LIRA issuer (note: the ex-spouse's portion remains locked in).(See [Policy Bulletin # 3 – Division and Distribution of Pension Benefits on Marriage Breakdown](#)).
- funds in a LIRA may not be seized or attached by creditors, nor may the Owner assign them or use them as collateral; exceptions to this are seizure or attachment under a maintenance enforcement order (see [Policy Bulletin #36 – Maintenance Enforcement Act Provisions](#)) and seizure by Canada Revenue Agency.
- funds may not be paid in cash to an owner except under the 50% unlocking option noted above, or with respect to the commutation options for
 - small amounts (See [Policy Bulletin # 24 – Maximum Commutable Amounts](#))
 - non-residency (See [Policy Bulletin #25 – Commutation due to Non-Residency Status](#))
 - shortened life expectancy (See [Policy Bulletin #26 – Commutation due to Shortened Life Expectancy](#)).
- if locked-in funds are incorrectly released to an individual, the LIRA carrier will be liable to provide the appropriate amount of retirement income.
- if the locked-in funds are incorrectly transferred, the transferring financial institution may be required to fund another locked-in account that meets the requirements of the Act and Regulation.

**Requirements for
Transferring Funds in
or out**

Transfers In

Only Alberta Locked-in Funds may be held in a LIRA. Funds may be transferred to a LIRA from another LIRA or from a pension plan (other than a DC RIA provision of a pension plan). **Funds may not be transferred to a LIRA from a LIF, LRIF or DC RIA.**

Duties of the Transferor (Sending) Pension Plan Administrator or Financial Institution

A pension plan administrator or financial institution transferring money to a LIRA must:

- ensure that the transferee (receiving) financial institution is on the Superintendent's List,
- ensure that any applicable waivers are transferred to the institution, and
- notify the transferee financial institution that the funds are Alberta Locked-in Funds.

Duties of the Transferee (Receiving) Financial Institution

A transferee financial institution issuing a LIRA must not accept funds into the LIRA unless

- it is an acknowledged financial institution on the Superintendent's List with respect to LIRAs,
- the money is being transferred from a permitted source as described above, and
- all the money being transferred is Alberta Locked-in Funds.

Where a copy of a signed [Form 3](#) waiver has been provided by the transferring financial institution or pension plan, the transferee financial institution must attach that waiver to its LIRA contract.

Transfers Out

Duties of the Transferor (Sending) Financial Institution

A financial institution must not transfer funds from a LIRA unless it has first

- made sure that the transferee financial institution is acknowledged on the Superintendent's list with respect to LIRAs or LIFs as the case may be,

- advised the transferee financial institution that they are Alberta Locked-in Funds,
- provided copies of any relevant waivers, and
- if the transfer is to a pension plan, determined that it is a registered pension plan.

Acknowledgement on the Superintendent's List with Respect to LIRAs

Only financial institutions whose names appear on the [Superintendent's List of Financial Institutions](#) are with respect to LIRAs are permitted issue LIRAs.

To be acknowledged, a financial institution must file with the Superintendent's office a completed application and certification form (See [Form 42](#) on website) signed by an authorized representative of the financial institution. As part of that certification the financial institution agrees to attach the prescribed LIRA addendum (See [Form 1](#) on website) to each LIRA contract and to provide a copy of the full contract, including the [LIRA addendum](#), to each LIRA owner.

Effective August 10, 2006 the "old Superintendent's List" (the old List) is closed. Financial institutions on the old list who wish to continue to sell LIRAs must re-apply, using [Form 42](#), to be acknowledged on the "new Superintendent's List" (the new List). **The new application must be filed with the Superintendent on or before December 16, 2007, if the financial institution wishes to be on the new List by December 31, 2007. Any financial institution not on the new List by December 31, 2007, will not be able to issue LIRAs after that date.**

Transitional Provisions

Financial institutions on the old List as of August 10, 2006 may continue to sell LIRAs under the prior rules until the earlier of the date that they are acknowledged on the new list or December 31, 2007. Once on the new list, all the "new rules" apply and old LIRAs must be converted to new LIRAs within 90 days from receiving the consent of the Superintendent to offer the new products.

In extenuating circumstances, the Superintendent may grant an extension.

Notwithstanding this, effective August 10, 2006, all LIRA contracts are deemed to have in them provisions that

- permit an Owner to invest in their own or a relative's mortgage,
- permit the Pension Partner of an Original Owner to waive pre-retirement death benefit entitlements using [Form 3](#), and
- include the 50% unlocking provisions of Schedule 1.1 of the Regulation.

Amendments to the old LIRA addenda need not be filed in this regard.

For further information please contact:

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