



Policy Bulletin #12

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Locked-in Retirement Income Fund

The purposes of this Bulletin are to explain the characteristics of Locked-in Retirement Income Funds (LRIFs) and to outline the responsibilities of financial institutions providing LRIFs, including how they are to calculate the minimum and maximum withdrawals.

LRIFs are being discontinued; this Bulletin explains, as well as the characteristics of these accounts, the responsibilities of LRIF carriers during the transition period while these contracts are being phased out and replaced.

The requirements of the *Employment Pension Plans Act* (the Act) with respect to the calculation of withdrawals from an LRIF are covered, for the most part, in Section 41 of the *Employment Pension Plans Regulation* (the Regulation) as it existed prior to the August 10, 2006 Regulation amendment.

This bulletin is a revision of a previous bulletin. It has no legal authority. The Act and Regulation should be used to determine specific legislative requirements.

Legislative Requirements

ACT Prior to August 10, 2006, a pension plan could, and a LIRA was required to, permit transfers to an LRIF pursuant to sections 38, 39(6) or 46 of the Act. Effective August 10, 2006 such transfers are no longer permitted.

REGULATION Section 41 of the Regulation sets out the transitional rules governing LRIFs. All LRIFs must be transferred to LIFs, life annuities or Defined Contribution Retirement Income Accounts (DC RIA) by December 31, 2007.

Terms Used in the Bulletin

Locking In: means that the funds in the LRIF 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 Life Income Fund (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 LRIF from a pension plan or LIRA 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](#)).

**Transitional
Administration of an
LRIF**

A financial institution may continue to administer its existing LRIFs as such until they are transferred to a new LIF, an annuity or a DC RIA.

The contract remains the same with respect to minimum and maximum withdrawals; however, three additional provisions are deemed to be included in the contract (amendment to the contract is not required).

1. A Pension Partner of an Original Owner is permitted to waive entitlement to pre-retirement death benefits by filing with the LRIF issuer a signed [Form 3](#) Waiver.
2. An LRIF Owner may invest funds in the LRIF in his/her own mortgage or the mortgage of a relative.
3. An LRIF Owner has a one time opportunity to elect to unlock up to 50% of the funds in the LRIF and either transfer them to an Registered Retirement Savings Plan or Registered Retirement Income Fund or receive them in cash. ([See Policy Bulletin # 34 – 50% unlocking](#)).

**Elimination of the
LRIF**

Financial institutions are no longer able to accept funds into an LRIF as of August 10, 2006. All LRIFs must be converted to LIFs, used to purchase a life annuity or transferred to a DC RIA by December 31, 2007.

Prior to December 16, 2007, financial institutions must submit a new completed “Application for Inclusion on the List of Acknowledged

Financial Institutions" in order to continue serving their clients by selling locked-in products.

After being acknowledged as being on the Superintendent's List, Financial Institutions must:, within 90 days

- 1) establish new LIFs to replace existing LRIFs
- 2) transfer all Alberta locked-in money in the LRIF to the new LIF
- 3) provide the owner a copy of the whole LIF contract including addendum.

If a financial institution does not apply for and receive acknowledgement on the Superintendent's List as an issuer of LIFs, it will be required to transfer all of its LRIFs to another financial institution that has been acknowledged and will no longer be an acknowledged carrier effective January 1, 2008.

Financial institutions still holding LRIF accounts on January 1, 2008 will be required to provide the Superintendent with a list of the LRIF holders.

Responsibilities of LRIF Carriers

The financial institution carrying LRIFs is responsible for ensuring that all requirements of the Act, Regulation and the *Income Tax Act* are met.

TRANSFERS IN

From August 10, 2006 forward, an LRIF cannot receive any additional funds.

TRANSFERS OUT

When transferring funds:

- a) to purchase a life annuity, the transferor (sending) financial institution must ensure that the life annuity purchased is non-commutable;
- b) to a LIF, the transferor financial institution must ensure that the transferee (receiving) financial institution is on the Superintendent's list for LIFs;

- c) to a DC RIA, the transferor financial institution must ensure that the pension plan is registered and has Alberta DC RIA provisions;
- d) in all cases where the LRIF Owner is an Original Owner with a Pension Partner, the transferor financial institution must provide copies of any relevant waivers to the transferee financial institution or plan administrator;
- e) in all cases, the transferor financial institution must ensure that only Alberta Locked-in Funds are being transferred.

LRIF funds can no longer be transferred into a LIRA.

When transferring LRIF funds to another financial institution, the transferor financial institution must provide the following information to the transferee financial institution:

- a statement that the funds are Alberta Locked-in Funds;
- the amount of all transfers in and the dates;
- the amount of investment income, gains and losses from each of the previous years;
- the amount of payments made each year; and
- a copy of the statement provided to the Owner; and
- copies of any completed Pension Partner waiver forms.

For further information please contact:

Superintendent of Pensions
Alberta Finance
Room 402, 9515 - 107 Street
Edmonton, AB T5K 2C3

Telephone: (780) 427-8322
Fax: (780) 422-4283
Internet: www.finance.gov.ab.ca

For toll-free dialling, contact your local Alberta Government R.I.T.E. line by calling 310-0000.