

Commutation Due to Shortened Life Expectancy

This bulletin is drafted to highlight the provisions of the *Employment Pension Plans Act* (the Act) and the *Employment Pension Plans Regulation* (the Regulation) dealing with unlocking due to shortened life expectancy. This bulletin has no legal authority. The Act and Regulation should be used to determine specific legislative requirements.

Legislative Reference Section 46 of the Act and Sections 39, 40, 41, and 43 of the Regulation provide for the commutation of pension benefits due to considerably shortened life expectancy.

Commutation from a Pension Plan A pension plan **may** provide that if a member or former member with an entitlement to a benefit in the plan has a terminal illness or a disability that is likely to shorten that person's life considerably, that person may, **before payment of the pension commences**, elect to convert the pension or part of it to a payment or series of payments for a fixed term to that person.

Note that pension plans are not required to allow for this, but if the sponsor of a pension plan wishes to offer such a benefit, the pension plan must have a provision to that effect.

Similarly, where a pension partner has an entitlement to a benefit in the pension plan (for example, a pre-retirement death benefit), the shortened life commutation provisions also apply to the benefit for that pension partner.

The terminal illness or the degree of disability must be certified in writing by a doctor. Where the member or former member has a pension partner, that person must complete the appropriate waiver form to permit the commutation.

Where a benefit has been transferred from a pension plan to a LIRA, Defined Contribution Retirement Income Arrangement (DC RIA) or another retirement income arrangement, the contract **must** provide for the withdrawal of money as a lump sum or a series of payments

where a physician certifies that the owner has a terminal illness or that due to a disability the owner's life is likely to be considerably shortened. Annuities purchased with pension funds are not required to provide this option.

Commutation from a Locked-in Account

Where the account owner is an original owner of that locked-in account and has a pension partner, that pension partner must complete the appropriate waiver form to permit the commutation.

If the locked-in account belongs to someone who is **not** the original owner, then the waiver form does **not** have to be completed by any pension partner.

What Constitutes Shortened Life Expectancy?

Unlike other jurisdictions, Alberta does **not** specify that a considerably shortened life expectancy is one in which the member or account owner only has a certain period to live.

Instead, the determination of a considerably shortened life expectancy is left to the discretion of the physician, and would be compared to the life expectancy that the member or account owner might otherwise reasonably expect in the absence of the terminal illness or disability. For example, if a man is told that he has a life expectancy of 10 years, in his 30s, it is reasonable to conclude that his life expectancy is considerably shortened. On the other hand, for someone in his 70s, a 10 year life expectancy might not be deemed considerably shortened.

Pension Partner Waiver Form

Where applicable, the pension partner of the member or account owner must complete [Form 5 - Pension Partner's Declaration to Permit Commutation Due to Shortened Life or Taking Non-Residency Status](#) to permit the unlocking of the benefit.

For further information please contact:

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