Amendments to the Employment Pension Plans Regulation

We Want Your Feedback

A Discussion Paper Prepared By:

Alberta Finance

December 21, 2005

(Response Paper released May 2, 2006)

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Introduction

In November 2003, Alberta Finance released two discussion papers titled

- *Strengthening Risk Management, Disclosure and Accountability* proposing amendments to the *Employment Pension Plans Act* (EPPA) and Regulation, and
- *Access to Locked-In Accounts,* discussing various options to increase flexibility for owners of the accounts.

We requested the input of various pension stakeholders. The culmination of the consultation process was the passage of Bill 35, the *Employment Pension Plans Amendment Act, 2005* (the amending Act) by the Government of Alberta. While the amending Act has received Royal Assent, the coming into force of the amending Act is delayed until an amendment to the *Employment Pension Plans Regulation* (the Regulation) is drafted and passed by the Lieutenant Governor in Council (the Cabinet).

Prior to its passage, the Government of Alberta wishes to conduct a further consultation process in respect of the amendment Regulation. Consequently, this paper describes the key amendments under consideration by Alberta Finance. We are looking for comments and viewpoints on these amendments from plan members, plan sponsors, service providers and any other interested parties.

Changes to the Regulation that introduce substantive policy changes that are departures from current requirements or are entirely new are included in this paper. However, many of the changes to the Regulation are housekeeping in nature and are primarily intended to clarify rather than to change policy, or to reflect current legislative drafting conventions. These have not been included in this paper.

A separate paper dealing with changes to the provisions regarding pension splitting on marriage breakdown as well as drafts of the prescribed addenda for the LIRA, LIF and DC RIA will be available in the early 2006.

The "Draft Regulation Changes" included in this discussion paper represent only initial drafts of proposed provisions and these will be subject to further reviews and revision by the Department and drafter. They do, however, reflect the general direction that the regulation is intended to take. Any irregularities of the numbering should be ignored as they are for drafting purposes only and will be sorted out in the final document.

Request for Input

Interested individuals and groups are asked to review this discussion paper and provide their comments to Alberta Finance by **February 28, 2006**.

All submissions should include the name of a contact person and contact details (return address, telephone, fax and e-mail address).

Please note that all comments and opinions received in response to this discussion paper become the property of Alberta Finance. While personal or confidential business information will be protected where possible, Alberta Finance reserves the right to publicly disclose information from the submissions in accordance with the provisions of the ***Freedom of Information and Protection of Privacy Act (RSA 2000).***

For a description of how submissions may be used and disclosed, please see the section titled "Next Steps" on page 5.

Responding to this Discussion Paper

There are three methods of responding to this discussion paper:

1. You can write to:
   "Amendments to the Employment Pension Plans Regulation"
   c/o Alberta Finance, Employment Pensions
   402 Terrace Building
   9515 - 107 Street
   Edmonton, AB T5K 2C3

2. You can e-mail us at **employment.pensions@gov.ab.ca**

3. You can send a fax to **(780) 422-4283**

This paper is available on the Alberta Finance website, www.finance.gov.ab.ca. If you require further information, telephone the Office of the Superintendent of Pensions at (780) 427-8322. Albertans outside the Edmonton area may dial that number toll-free by first dialing the Alberta Government toll-free number 310-0000.

Next Steps

Following the review of submissions received by February 28, 2006, Alberta Finance will take the following steps:

1. Prepare a report that summarizes the views of those who have made submissions.

2. Make the report public and accessible via the Internet.

3. Make such changes to the draft regulation, based on the comments received, as are deemed appropriate.

The report will list the names of individuals and organizations that have made submissions to Alberta Finance. It will not disclose their business contact information or any other identifiable personal information about them or any other individuals. The report may attribute comments made by individuals representing organizations to the organization, but will not attribute them to the individual. The report will not attribute a quote or an opinion to a specific individual unless consent has been obtained from that individual to do so.

Glossary of Key Terms

Specified Multi-Employer Pension Plan (SMEPP) – a pension plan administered for employees of two or more employers and designated as a SMEPP by the Superintendent. SMEPPs include all union-sponsored, collectively bargained plans with multiple participating employers, negotiated contributions, defined benefits and limited employer liability. A SMEPP must have a board of trustees or similar body constituted under a trust deed or agreement or similar document.

Multi-Employer Pension Plan (MUPP) – a pension plan with two or more participating employers where the employers` liability is not limited to collectively bargained contributions. A board of trustees or similar body constituted under a trust deed or agreement must administer a MUPP or, alternatively, one employer may be appointed as plan administrator.

Year's Maximum Pensionable Earnings (YMPE) – the maximum earnings level on which both contributions to and benefits from the Canada Pension Plan are based.

amending Act – means Bill 35, the *Employment Pension Plans Amendment Act, 2005*, which received assent on June 2,2005, but has not yet been proclaimed.

Proposed Amendments

Please note: All references to section numbers refer to the Regulation unless otherwise indicated.

1. Funding and Solvency

1.1 Review Date of a Pension Plan; Deadlines for Filing Actuarial Valuation Reports

Current Legislative Reference: s2(1)(q) and (r); s10(2); s27(3) and (4)

Reference Changes: s2(1)(q) and (r) moved to s1(1)(e) and (f) and revised; s10(2) revised; s27(1) and (2)and (3) revised.

Proposal

a) Amend the Regulation to clarify that the same deadlines apply to the filing of all plan reviews, not just regular triennial reviews.

   Current legislation requires that a valuation and cost certificate must be filed within 6 months of the review date (9 months for Specified Multi-employer Pension Plans [SMEPPs] or Multi-unit Pension Plans [MUPPs]), but does not clearly identify that a review date is any date that a review was made, and not just a regularly scheduled triennial review date (for example, where annual valuations are performed at the direction of the administrator of the plan, and are to be used for and thus filed for funding purposes).

b) Amend the Regulation to clarify that amendments to a pension plan referred to in s9(7) of the Regulation which affect the cost of benefits or funding of the plan must be accompanied by an interim cost certificate and that both must be filed within 60 days after the date that the amendment is made.

   This change to the Regulation will permit the Superintendent to review both the amendment and the valuation information at the same time and will speed up the registration of amendments.

   Rather than filing an interim cost certificate, the actuary is permitted to opine that the amendment will not materially impact the funding and solvency status of the Plan.

However, the Superintendent will retain the power to request that a new actuarial valuation report and cost certificate be filed within 60 days after serving the administrator with this request.

Draft Regulation Changes

1(1) (e) "review" means a review of defined benefit provisions under section 13(4) of the Act;

(f) "review date" means, in relation to a review, the date as of which that review is made or was required to be made;

10(2) Subject to section 27, actuarial valuation reports and cost certificates resulting from reviews performed as at dates after the effective date of the plan must be filed not later than,

(a) subject to clause (b), in the case of a specified multi-employer plan or a multi-unit plan, 270 days,

(b) where an amendment referred to in section 9(7) has been made, 60 days, and

(c) in any other case, 180 days, after the review date.

27(1) The period prescribed for the purposes of section 20(1) of the Act is the period of 60 days beginning on the date when the amendment is made.

(2) Subject to subsection (3), where an amendment referred to in section 9(7) is made, the administrator shall file, at the same time as the certified copy of the amendment required by section 20(1) of the Act,

(a) an interim cost certificate showing the effect that the amendment will have on the plan's liabilities, the special payments and the normal actuarial cost, or

(b) a statement as to the effect that the amendments will have on the plan's liabilities and confirmation that the amendment will have no material effect on the special payments or the normal actuarial cost.

(3) The Superintendent may, by notice in writing, require the administrator to file, within 60 days after the date of service of that notice, a new actuarial valuation report and cost certificate, prepared as at the effective date of the amendment, instead of the interim cost certificate or statement required by subsection (2).

1.2 Audited Financial Statements

Current Legislative Reference: Act s14(3)(d); Regulation s1(1)(a).

Reference Changes: Act s14(3)(d) (per the amending Act); Regulation s1(1)(a) moved to s2(1)(a.1) and revised; s11(2) and (3) added; s72.2 added.

Proposal

a) Amend the Regulation to
   (i) require pension plans with at least $3,000,000 in defined benefit liabilities to file audited financial statements of the plan fund,
   (ii) require pension plans with at least $1,000,000 in defined contribution assets that are invested at the sole discretion of the employer to file audited financial statements of the plan fund, and
   (iii) clarify the Superintendent's authority to require full audited financial statements of the plan or the fund or both from any plan at any time.

   Currently the administrator of a SMEPP is required to file audited financial statements of the pension plan. This requirement would continue with the other noted plans being required to file audited financial statements of the fund.

b) Amend the Regulation to set a deadline of 180 days after the plan fiscal year end for filing of all required audited financial statements.

   Currently SMEPPs must file the audited financial statement within 60 days of the administrator receiving it.

Draft Regulation Changes

2(1) (a.1) "audited financial statements," means financial statements that are

(i) prepared in accordance with Canadian generally accepted accounting principles, as described in the Handbook of the Canadian Institute of Chartered Accountants, as amended up to the relevant date, and

(ii) accompanied by an audit report that is prepared

A) by or under the auspices of a public accounting firm within the meaning of the *Regulated Accounting Profession Act*, and
B) in accordance with Canadian generally accepted auditing principles, as described in the Handbook, as amended, referred to in sub-clause (i);

11(2) The financial statements prescribed for the purposes of section 14(3)(d) of the Act are,

(a) in the case of a specified multi-employer plan, the audited financial statements of the plan,

(b) in the case of any other plan that contains defined benefit provisions and where the going concern liabilities related to the defined benefit provisions, as reported in the most recently filed actuarial valuation report, equal or exceed $3,000,000, the audited financial statements of the pension fund,

(c) in the case of any other plan that contains defined contribution provisions and where at least $1,000,000 of the assets related to the defined contribution provisions are invested solely at the direction of the employer, the audited financial statements of the pension fund,

(d) if so requested by the Superintendent by notice in writing in respect of any plan, including one referred to in (a), (b), or (c), the audited financial statements of the plan or the fund or any other financial statements specified by the Superintendent in the notice, covering any material and in the form and as of the date so specified.

(3) The period prescribed for the purposes of section 14(3)(d) of the Act is 180 days or such shorter period as the Superintendent specifies by notice in writing to the administrator.

72.2(1) Notwithstanding section 11(3), the first audited financial statements of a pension plan or of a pension fund to be filed under section 14(3)(d) of the Act, as replaced by the *Employment Pension Plans Amendment Act, 2005*, with respect to any initial fiscal year ending after December 31, 2005, must be filed within 180 days after the end of that fiscal year.

(2) The provisions of the Act and this Regulation, as they existed at the end of 2005, continue to apply with respect to financial statements with respect to any fiscal year ending on or before December 31, 2005.

1.3 Remittance of Contributions

Current Legislative Reference: Act s50; s48; s49

Reference changes: Act 50 (per amending Act); s48 revised; s49 revised

Proposal

a) Amend the Regulation to require all contributions to a pension plan, with the exception of contributions based on the profits of the employer in excess of the minimum one per cent of earnings, to be remitted to the pension fund on a monthly basis. This requirement also extends to special payments made to amortize any unfunded liabilities and solvency deficiencies under defined benefit provisions.

   Currently employer contributions to a defined benefit provision are required to be remitted at least quarterly. This change is made to harmonize with several other jurisdictions that require all contributions to be remitted monthly and is also based on Canadian Association of Pension Supervisory Authorities model law recommendations.

b) Amend the Regulation to specify the deadline for plan sponsors to provide a statement of expected contributions to the ultimate recipient.

   The amending Act made changes to section 50 of the *Employment Pension Plans Act.* It introduced the definition of the ultimate recipient to clarify who must receive the contribution remittance by the set deadline, and who must provide the Superintendent notification when an employer has failed to remit contributions to the plan fund by that deadline. To facilitate this, a requirement to provide contribution information to the ultimate recipient was added, section 50(3.2). The deadline for provision of the information is set in the Regulation. The format will be set by Policy Bulletin.

Draft Regulation Changes

48(3) (b) where the plan has one or more unfunded liabilities, payments consisting of equal payments made at least monthly that are sufficient to amortize the unfunded liability or each unfunded liability over a period not exceeding 15 years from the review date relating to the establishment of the unfunded liability or each of them, as the case may be, and

(c) where the plan has one or more solvency deficiencies, payments consisting of equal payments made at least monthly that are sufficient to amortize the solvency deficiency or each solvency deficiency over a period not exceeding 5 years from the review date relating to the establishment of the solvency deficiency, or each of them, as the case may be.

49(1) (d) is amended by striking out “quarterly” and substituting “monthly”;

(2) Notwithstanding subsection (1)(d) and section 48(3), employer contributions referred to in subsection (1)(d) payable within 180 days following the review date for a review required by section 9(3)(c) shall be remitted within the earlier of 30 days after the date the related actuarial valuation report is filed and 30 days after the end of the second quarter following the review date, but they must include interest from the date when they would have been remitted under subsection (1)(d) to the date of remittance, at the same interest rate as was used in determining the respective employer contributions referred to in subsection (1)(d).

(3) The period prescribed for the purposes of section 50(2) of the Act is 30 days.

(4) The period prescribed for the purposes of section 50(3) of the Act within which the ultimate recipient must report to the Superintendent is 30 days.

(5) The time prescribed for the purposes of section 50(3.2) of the Act is any time within 30 days after the end of each fiscal year.

1.4 Letters of Credit

Current Legislative Reference: none

Reference changes: s48 (3.2) through (3.97)

Proposal

a) Amend the Regulation to permit an employer to provide a letter of credit to the fund holder in lieu of making any special payments that would ordinarily be required to amortize a solvency deficiency, subject to specific requirements.

Letters of Credit are adopted as an alternative to the current solvency funding requirements. The use of letters of credit under certain conditions will allow employers more flexibility in funding of their pension plans while maintaining the security of pension benefits for plan members. The use of letters of credit has been proposed after a lengthy consultation process with pension plan sponsors, members, financial institutions, and fund holders.

Draft Regulation Changes

48(3.2) For the purposes of subsections (3.3) to (3.97), "letter of credit" means a letter of credit within the meaning of the Uniform Customs and Practice for Documentary Credits 1993 Revision, International Chamber of Commerce, Paris, Publication 50, as that document existed at the commencement of this subsection.

(3.25) The Superintendent shall establish and maintain a list of financial institutions (in this section referred to as the "approved list") that are eligible to issue letters of credit for the purposes of this section.

(3.3) An employer may, instead of making the special payments under subsection (3)(c) (in this section called "solvency deficiency payments"), use a letter of credit to cover those solvency deficiency payments for a particular year if

(a) the employer has filed a copy of the letter of credit in the form required by the Superintendent with the fund holder,

(b) the employer agrees in writing to have a solvency valuation of the plan performed and filed annually, as long as the letter of credit is extant, and

(c) the financial institution issuing the letter of credit meets the other requirements set by the Superintendent.

(3.35) The employer must provide the letter of credit to the fund holder before the first in the series of solvency deficiency payments to which it relates is due.

(3.4) The letter of credit must be issued by a financial institution that is on the approved list at the time of its issue, meet the other requirements of this section and be in the form required by the Superintendent.

(3.43) The fund holder receiving the letter of credit shall review it to ascertain whether or not it meets the requirements of subsection (3.4) and,

(a) if it does shall advise the Superintendent that the letter of credit has been received, or

(b) if it does not,

(i) shall advise the employer, in writing, that the letter of credit is unacceptable and that either an acceptable letter of credit or the solvency deficiency payments required by subsection (3)(c) in the absence of a letter of credit must be remitted by the end of the month following the due time referred to in that subsection, and

(ii) if neither is submitted by the deadline referred to in sub clause (ii), shall advise the Superintendent of that fact.

(3.47) The employer shall make interest payments related to the solvency deficiency payments covered by the letter of credit monthly, within 30 days after the end of the month to which they relate, at the rate assumed when determining the solvency deficiency.

(3.5) Annually as at the review date, the letter of credit may be renewed, cancelled or revised to cover an additional year's solvency deficiency payments.

(3.53) A letter of credit may be permitted to expire without renewal on the renewal date (in this section referred to as expiration) or may be cancelled on the renewal date or at any other date by either the issuer or the employer.

(3.57) Where the expiration or cancellation is determined by the employer, the employer shall notify the issuer at least 90 days prior to the intended expiration or cancellation date.

(3.6) Where the issuer receives notice under subsection (3.57) or where the issuer intends to cancel or permit expiration, the issuer shall, at least 60 days prior to the expiration or cancellation effective date, advise the fund holder and the Superintendent and, unless notice was given under subsection (3.57), the employer, in writing of that impending expiration or cancellation.

(3.62) Where a letter of credit is to expire or to be cancelled, the employer shall 30 days prior to the expiration or cancellation date

(a) provide the fund holder with a new letter of credit,

(b) remit all solvency deficiency payments that would have been required had the letter of credit not been in effect, or

(c) confirm that the letter of credit is being cancelled or allowed to expire because the solvency deficiency no longer exists and provide the fund holder with an updated statement as required by section 50(3.2) of the Act and provide the Superintendent with an up-to-date cost certificate reflecting this fact.

(3.63) If the issuer cancels the letter of credit or permits it to expire without providing the notices required subsections 3.6, and the employer does not meet the requirements of subsection (3.62), the issuer will continue to be liable to remit to the fund holder the amount covered by the letter of credit.

(3.64) If the employer does not meet the requirements of subsection (3.62), the fund holder shall, forthwith after the expiration of the 30 days referred to in that sub-clause, call the letter of credit.

(3.67) If the fund holder does not call the letter of credit as required by subsection (3.64) and the letter of credit is cancelled without one of the conditions of subsection (3.62) being met within 30 days of the date that the letter of credit should have been called, the fund holder becomes liable to make the payment referred to in subsection (3.62)(b) and shall forthwith remit it to the pension plan fund held by the fund holder.

(3.7) A letter of credit is not an asset of the plan for the purposes of determining either the solvency ratio or the transfer ratio.

(3.73) At the time when a member becomes entitled to receive a benefit payment from the plan other than an ongoing pension payment and while some or all of a solvency deficiency is covered by a letter of credit, the employer shall, before making the payment to the member, fund any transfer deficit related to the member in one lump sum payment to the plan.

(3.77) Where a plan terminates other than in the case of the bankruptcy of an employer and a letter of credit is used to cover a solvency deficiency, that employer shall, within 10 days after the termination report is accepted by the Superintendent, remit to the fund holder any amounts covered by the letter of credit that are required to fund any solvency deficit identified in that report. The letter of credit cannot be cancelled until the remittance is made and the Superintendent has received confirmation of the remittance.

(3.8) If the employer does not comply with subsection (3.77), the fund holder shall forthwith after the expiration of the 10 days, call the letter of credit.

(3.83) If the fund holder does not comply with subsection (3.8) and the money required by subsection (3.77) is not remitted to the fund holder within 5 days after the date when the letter of credit should have been called, the fund holder becomes liable to make the payment and shall forthwith remit it to the pension plan fund held by the fund holder.

(3.87) The Superintendent, forthwith after accepting the termination report, shall notify both the employer and the fund holder to that effect.

(3.9) Where a plan terminates due to the bankruptcy of an employer, that employer shall, within 10 days before the declaration of bankruptcy or if the date for that declaration is not known, immediately upon the declaration of bankruptcy, notify both the Superintendent and the fund holder in writing of the bankruptcy.

(3.93) Forthwith after receiving the notice of the bankruptcy, the fund holder shall call the letter of credit and within 5 days of making the call, all related funds shall be remitted to the pension plan fund held by the fund holder.

(3.97) If the fund holder does not comply with subsection (3.93) and the money required by subsection (3.93) is not remitted to the fund holder within 5 days after the date that the letter of credit should have been called, the fund holder becomes liable to make the payment and shall forthwith remit it to the pension plan fund held by the fund holder.

1.5 SMEPP Solvency Payment Suspension

Current Legislative Reference: none

Reference Changes: Schedule 0.2 s3

Proposal

a) Amend the Regulation to permit a SMEPP administrator to apply to the Superintendent for permission to suspend solvency special payments for a period no longer than 3 years. The Superintendent's consent would be subject to several conditions:
    (i) amortization of unfunded liabilities over a period not exceeding 10 years,

(ii) filing of annual valuations that show the plan's solvency status, and
(iii) no benefit improvements to be made while there is a solvency deficiency

Solvency payments must be made if the plan would have insufficient assets to pay benefits if the plan were to terminate (a solvency deficiency). These deficiencies can rise and fall rapidly and are currently high due to low interest rates. Because SMEPP contributions are collectively bargained, these plans do not have the flexibility to meet unexpected cost changes, such as those that have occurred due to recent economic events, and are in some cases forced to reduce benefits to meet short-term solvency funding requirements. This short-term response is required under the current rules even though plan termination is very unlikely in the case of SMEPPs. This three-year suspension will assist these plans in dealing with the current low interest rates while plan sponsors and governments further review funding requirements.

Draft Regulation Changes

Schedule 0.2

3 (1) The administrator of a specified multi-employer plan may apply to the Superintendent in the form and manner required by the Superintendent for, and the Superintendent may in writing, subject to any conditions specified, consent to the plan's suspending payments that an employer is or was required by section 48(3)(c) of this Regulation to pay into the plan after 2005 for the period, not exceeding 3 years from the date in 2006, 2007 or 2008 specified in the consent, on condition that

(a) if the conditions that gave rise to the suspension are not met at any time during that period, those payments are to recommence immediately, and

(b) at the end of that period, the balance of any solvency deficiency identified at the beginning of that period will be amortized before the expiration of the 5-year period, starting from the date that the solvency deficiency was first established, referred to in section 48(3)(c) of this Regulation.

(2) An application under subsection (1) must be made not later than 180 days after the review date to which the application relates and in any case before 2009.

(3) An administrator may make only one application under subsection (1).

(4) The administrator must submit, along with the application under subsection (1),

(a) an actuarial valuation report as at the review date to which the application relates,

(b) a written statement to the effect that no benefit improvements will be given during the period of the suspension,

(c) a written statement to the effect that the plan will fund any unfunded liabilities identified in the valuation report referred to in clause (a) within their remaining amortization periods or within 10 years from the date of that actuarial valuation report, whichever is the shorter period, and

(d) any other documents required by the Superintendent.

(5) The Superintendent may require that an actuarial valuation report be filed with respect to each year or portion of a year during the suspension period.

(6) The administrator shall, within 180 days after the end of the suspension period, file an actuarial valuation report that meets the requirements of the Superintendent, showing the funded and solvency status of the plan.

(7) An administrator who wishes to revoke an application under subsection (1) may do so within the period of the suspension by notifying the Superintendent in writing of that intention and by filing an actuarial valuation report referred to in subsection (6).

(8) The Superintendent's consent under subsection (1) applies or continues to apply only if

(a) subject to this section, section 48, including the testing required by section 48(2), of the Act and the other provisions of this section continue to be complied with,

(b) the results of that testing are reported in each actuarial valuation report,

(c) no benefits are improved while the solvency deficiency exists,

(d) a schedule is adopted to amortize each unfunded liability over a period not exceeding 10 years from the date of the consent or, in the case of a previously established unfunded liability, the remainder of the previously established amortization period or 10 years from the date it was established, whichever is less, with the plan's assets being valued at market value, and

(e) other conditions imposed by the Superintendent under subsection (1) are complied with.

(9) This section applies notwithstanding anything in section 48 of this Regulation.

2. Amendments and Plan Documents

2.1 Adverse Amendments

Current Legislative Reference: s12 (2)(a); s27 (2)(a)

Reference Changes: Act s15 (1)(a.1) (per amending Act); s12 (2)(a) revised; s13.1 and 13.2 added; s13(2) repealed; s27 (5) added;

Proposal

a) Amend the Regulation to require that in the case of adverse amendments, members and others with conditional entitlements must be supplied with a summary/explanation at least 45 days prior to the effective date of the adverse amendment. Where a change is required to the amendment in order to have it registered, the revised summary of the amendment will be provided to affected members within 90 days after the administrator is notified that the amendment has been registered.

   Adverse amendments negatively impact a member's rights and/or benefit entitlements under a pension plan and might include, for example:

   (i) reduction in the benefit accrual/ contribution formula,

   (ii) an increase in member contributions with no corresponding increase in benefit accruals, or

   (iii) a change in the form (e.g. normal form changing from 60% joint and survivor to Guaranteed 120 months).

   This modifies the requirements put in place in 2000, which required member notification of an adverse amendment if the Superintendent so directed. It should be noted that notification does not imply any right of approval or veto on the member's part.

   Also, section 13(2) of the Regulation requiring the administrator to invite recipients of the notice to respond will be repealed.

   The filing date for all amendments, adverse or not, continues to be 60 days after the amendment is made. A summary of non-adverse amendments that affect members' entitlements continues to be required to be provided within 90 days after the administrator is notified that the amendment has been registered.

Draft Regulation Changes

12(2) Unless an explanation or summary of the same amendment has already been given under section 13.1, the administrator shall, pursuant to section 15(1)(a) of the Act, provide an explanation or summary of an amendment to the plan and of the relevant entitlements and obligations under that amendment,;

(a) in the case of a specified multi-employer plan referred to in subsection 1(b), at the same time as the next following statement is provided to the member under section 14(1) or within 30 days after a request made by him for the explanation or summary is received by the administrator, whichever occurs first, or,

(b) in any other case affecting benefits or contributions, within 90 days after the registration of the amendment.

13.1 Notwithstanding anything in section 12, an administrator shall provide, pursuant to section 15(1)(a.1) of the Act, the explanation or summary referred to in that clause not less than 45 days before the effective date of the amendment.

13.2 An administrator shall provide to each person who

(a) is not a member,

(b) is unconditionally entitled to receive a benefit, whether at present or in the future, and

(c) could be adversely affected by a proposed amendment that the administrator has decided to implement at a future date,

an explanation or summary of that proposed amendment not less than 45 days before the effective date of the amendment.

13(2) Repealed

27(5) Where an amendment referred to in section 15(1)(a.1) of the Act is made, the administrator shall file at the same time as the amendment a certificate in the form required by the Superintendent stating that the explanations or summaries required by section 13.1 were duly given.

2.2 Documents Needed in Multi-Unit Pension Plans

Current Legislative Reference: none

Reference changes: Act s1(1)(2) and 20(1.1) (per amending Act); Reg. s27 (4)

Proposal

a) Amend the Regulation to require the administrator of a plan that becomes a Multi-Unit Pension Plan (MUPP) to file all documents required to maintain the MUPP designation within 60 days of that plan's designation by the Superintendent.

   The amending Act changed the definition of MUPP to require designation by the Superintendent as such in order to qualify as a MUPP. It also added a provision to require a single employer plan administrator whose plan is amended to become a MUPP to file all related documentation within the prescribed time period.

Draft Regulation Change

27(4) The period prescribed for the purposes of section 20(1.1) of the Act is the period ending 60 days after the plan's designation by the Superintendent as a multi-unit plan.

2.3 Employee Classes and Benefit Formulas

Current Legislative Reference: s28(2)(a) and (b); s30(1)

Reference changes: s28(2)(a) and (b) revised; s30(1) revised; s30(1.1) added

Proposal

a) Amend the Regulation to permit greater flexibility in the identification of classes of employees within a pension plan.

   The current regulation in respect of classes of employment was implemented to promote maximum participation in a pension plan for the employees of the employer sponsoring the plan. However, this requirement doesn't allow the flexibility that pension plan sponsors may require in establishing an appropriate benefits and compensation package for identifiable groups of employees.

b) Amend the legislation to add flexibility to the benefit formulas that can be applied to a class of members.

Current legislation requires that the benefit and contribution formulas be uniform for each year of future employment unless the Superintendent approves a variation. This change will permit some variation, provided it is acceptable to the Superintendent, with respect to benefit formulas for members in the same class of employment.

Draft Regulation Change

30(1) The prescribed classes of employment referred to in section 29(1) of the Act are employees who fall within any of the following classes:

(a) through (j) remain unchanged

(k) employees falling within a class designated under subsection (1.1).

(1.1) On the written application of the administrator, the Superintendent may in writing designate any class of employees not described in subsection (1)(a) to (j) that the Superintendent considers to be identifiable and appropriate for categorization as a class under subsection (1).

28(2) The formula for determining benefits under defined benefit provisions, member contributions relating to defined benefit provisions and contributions relating to defined contribution provisions of a plan must be uniform

(a) for each year of future employment, and

(b) for each member of a class prescribed in section 30(1),

except to the extent that the Superintendent approves a variation in any formula that the Superintendent considers reasonable.

2.4 LIF-Like Payments from DC Pension Plan Provisions

Current Legislative Reference: none

Reference changes: s1(5),(8),(9), and (11) added; s2(1)(a.1) added; s46.1 added; Schedule 1, Form 3

Proposal

a) Amend the Regulation to permit a retirement income arrangement paying LIF-like payments from a defined contribution provision of a pension plan (referred to as a DC RIA). This provision will require plans that choose to offer this option to incorporate prescribed wording into their plan texts. A prescribed DC RIA addendum will be added under Schedule 1 of the Regulation. It will be available for review in the new year.

This provision is proposed to permit plans with a defined contribution provision to pay LIF-like payments from the plan rather than forcing the member to move funds out of the plan at retirement. The change is made in response to recent changes to the *Income Tax Act* (Canada) which permit this type of payment.

Draft Regulation Changes

1(5) The DC RIA arrangement is a prescribed arrangement for the purposes of section 1(1)(gg)(iii) of the Act.

(8) The DC RIA arrangement is an arrangement prescribed for the purposes of section 1(1)(nn)(ii) of the Act.

(9) For the purposes of the Act, money is locked in to a pension plan, LIRA, LIF or life annuity contract if its withdrawal, surrender or commutation is prohibited by or as the result of the application of

(a) section 35(1), (2) or (4) or 64(2) of the Act,

(b) section 32(1), 39, 40, 41 or 46.1 of this Regulation,

(c) in the case of a pension plan, any legislation of a designated jurisdiction that is similar to any of those provisions of the legislation, or

(d) a plan provision under section 30(5) of the Act,

as the case may be.

(11) For the purposes of section 87(1)(d.1) of the Act, all LIFs and DC RIAs are prescribed retirement income arrangements.

2(1) (a.2) "DC RIA arrangement" means the portion, if any, of a registered pension plan with defined contribution provisions that is covered by section 46(8) of the Act and referred to in section 46.1(1.1) of this Regulation;

46.1(1) The benefits prescribed for the purposes of section 46(8) of the Act are benefits that are allowed by paragraph 8506(1)(e.1) and subsections 8506(4) to (7), so far as applicable, of the *Income Tax Regulations* (Canada) (C.R.C., c.945), being those provided for in this section.

(1.1) Notwithstanding anything in this Regulation except subsection (1), a pension plan may provide that benefits arising from defined contribution provisions are to be paid from the plan in the same manner and amount as retirement income payments from a LIF, and, if a plan so provides, the remaining subsections of this section apply with respect to that portion, being the "DC RIA arrangement" of the plan.

(1.2) Subject to this section, section 40 applies with respect to a DC RIA and the DC RIA arrangement as it applies with respect to a LIF, with the terms "financial institution" in that section being deemed to read "administrator", and “LIF” in that section being deemed to read “DC RIA” where applicable.

(1.3) The plan may not force any member or former member to enter into the DC RIA arrangement or to take benefits in the form of retirement income referred to in subsection (1.1).

(1.4) A pension plan that includes a DC RIA form of benefit payment must provide that where a former member of the plan who has commenced to receive retirement income under the DC RIA recommences work or service in an employment covered by the plan,

a) payment of the retirement income is to continue,

b) the former member shall also become an active member and shall accrue further service and benefits under the plan

c) while the former member/member is actively accruing benefits, the contributions related to the accruing service must be kept in an active account, separate from the DC RIA account, and shall not be considered part of the gains and losses accruing to the DC RIA during that period, and

d) when the former member/member ceases to accrue further benefits as an active member of the plan, those benefits accrued during the active period must be transferred to the DC RIA portion of the pension plan.

(3) If a pension plan with defined contribution provisions is to offer a DC RIA arrangement, the plan must have attached to it or incorporated into it the addendum set out in Form 3.

(4) The addendum constitutes legislative and binding provisions of this Regulation.

(5) Where the member has a pension partner at the date of exercising the option under subsection (1.1), the option is not effective unless the pension partner has signed Part 1 of the waiver set out in Form 5.

3. Disclosure

3.1 Information to Plan Members

Current Legislative Reference: s13(1)(a) to (d); s51(4)(b)

Reference changes: s13(1)(a) to (d) revised; s51(4)(b) moved into 13(1)

Proposal

a) Amend the Regulation to clarify what information must be supplied to members pursuant to section 15(1)(a)(ii) of the EPPA, investment of funds, interest and options with respect to self-directed defined contribution provisions.

Current legislation regarding disclosure is relatively general and does not fully address self-directed investments.

Draft Regulation Change

13(1) The administrator of a pension plan, pursuant to section 15(1)(a)(ii) of the Act, shall provide with or in the relevant explanation or summary referred to in section 12(1)

(a) a statement identifying the fund holder,

(b) where member required contributions related to a defined benefit provision are receiving interest based on the CANSIM rate within the meaning of section 33(1)(b), a statement to that effect and a statement as to when interest is calculated and applied,

(c) where the investments are directed by the employer and with respect to member required contributions, employer contributions in respect of a defined contribution provision or to any member additional voluntary contributions or optional ancillary contributions,

(i) a brief description of how the plan's assets are invested,

(ii) a statement that the fund rate of return may be positive or negative, and

(iii) a statement as to when interest will be calculated and applied,

(d) where the investments are directed by the member and with respect to member required contributions, employer contributions in respect of a defined contribution provision or to any member additional voluntary contributions or optional ancillary contributions,

(i) a statement that describes the investment options available and the process for selecting options, and

(ii) a statement of how contributions will be dealt with by default if the member fails to provide direction regarding the investments,

(e) where a change is made respecting how the contributions referred to in clause (c) are invested, an explanation of the change,

(f) where a change is made respecting how the contributions referred to in clause (d) are invested, an explanation of the change and, so far as applicable, updated statements referred to in clause (d)(i) and (ii), and

(g) where any other change is made to any of the information provided under subsections (a) to (d), a statement summarizing the change.

3.2 Member Statements

Current Legislative Reference: s14(1), s15(1), s16(1), s17(1), and s19(1)

Reference Changes: s14(1), s15(1), s16(1), s17(1), and s19(1) revised

Proposal

a) Amend the Regulation to require additional information on each statement and to provide consistency of required information between statements. Increase the disclosure requirements in relation to a number of statements provided to members.

The additional information will enable plan members to make sure that the information that the plan sponsor has on file is up to date and accurate.

Draft Regulation Changes

Sections 14(1), 15(1), 16(1), 17(1), and 19(1) are amended by adding any one or more of the following if not already covered in those sections

(a) the date of birth of the member;

(b) the name of the member's pension partner;

(c) the date the member enrolled in the plan;

(d) the name of any person designated to receive benefits under the plan if there is no pension partner at the relevant time;

3.3 Examination of Documents

Current Legislative Reference: s25(1)

Reference changes: Act s14 (as per amending Act); s25(1)(a.1 and (a.2) added

Proposal

a) Amend the Regulation to permit members of any pension plan that is required to file audited financial statements access to review the plan's 3 most recent audited financial statements and all reciprocal agreements that pertain to the pension plan.

   Currently disclosure of financial statements is limited to SMEPP members because those are the only plans filing the statements. The addition of these items is to ensure that members have access to review all documents that are required to be filed with the Superintendent.

Draft Legislative Changes

25(1) is amended by adding the following after clause (a):

(a.1) the plan's 3 most recent audited financial statements filed under section 14(3)(d) of the Act;

(a.2) all agreements referred to in section 23(1) of the Act;

3.4 Notification of Surplus Withdrawal

Current Legislative Reference: s.67(2)

Reference Changes: s 67(2.1) added

Proposal

a) Amend the legislation to require that where an administrator proposes to remove surplus from a pension plan, the required notification to members must also be extended to pension partners of deceased members and former members, as well as non-member pension partners, to the extent that these people are entitled to any benefit under the plan.

The Regulation has always required that members and former members with a benefit entitlement in a plan be notified where an administrator proposes to remove surplus from the plan. This change to section 67 will extend the requirement of notification to others such as pension partners who also have a benefit entitlement and therefore an interest in plan funds.

Draft Regulation Change

67(2.1) Where and when the administrator is required to provide a notice under subsection (2) in the circumstances described in subsection (2)(b), the administrator shall also provide the notice to the persons to whom subsection (9) applies.

4. Payment of Benefits

4.1 Annuity Purchase

Current Legislative Reference: none

Reference Changes: s28.1 added

Proposal

a) Amend the Regulation to clarify that when an annuity is purchased for a member by a plan with a defined benefit provision, while the plan is ongoing or on plan termination, the amount of pension provided by the annuity contract must be at least equal to that which the member would have received if the payments were made from the plan, as opposed to the amount that can be purchased with the commuted value of the benefit.

   This is to clarify requirements with respect to annuity purchases from defined benefit provisions.

Draft Regulation Change

28.1 Except where section 55(5) is applied, where an administrator is to purchase a life annuity instead of paying a pension from the plan, the life annuity must be in the same amount and form that the recipient would have received as the pension.

4.2 Pension Partner Waiver Requirements

Current Legislative Reference: s43; Schedule 1, Form 1

Reference Changes: Act s39 and s40 (as per amending Act); s43 revised; Schedule 1, Forms 4, 5, and 6

Proposal

a) Amend the post-retirement waiver form to permit a pension partner to separately waive the entitlement to receive a 60% Joint and Survivor form of pension (herein referred to as Part 1) and all beneficial entitlement to a death benefit (herein referred to as Part 2) in all post-retirement situations.

   The current waiver form requires the pension partner to waive all entitlements to enable the member to elect a different form of pension. If funds are moved to a LIF, the beneficial interest upon the death of the member is reinstated in the LIF contract, however, in a pension plan or annuity purchase this does not happen, leaving an inconsistency between vehicles. The proposed waiver form would make all vehicles consistent and would allow couples more flexibility in retirement planning. The waiver would permit the pension partner to waive the required joint and survivor form (completion of Part 1 of the waiver) without giving up all beneficial interests. The pension partner could also waive all beneficial interest by completing Part 2 of the waiver.

b) Amend the legislation by adding a pre-retirement waiver form, which would enable a pension partner to waive the entitlement to pre-retirement death benefits.

   Current legislation does not permit the waiver of pre-retirement entitlements. The amending Act added provisions to permit this. These changes complete the prescribed requirements.

c) Amend the legislation to specify that a lawyer must advise the pension partner regarding the waiver.

   The amending Act changes to section 40(4) of the Act added a requirement for the pension partner to receive independent advice before signing the waiver. This clarifies who can give the advice.

   This means that legal advice must be obtained by the pension partner of,
   (i) a member of a pension plan (with DC or DB entitlements) with a pension partner at retirement unless the member is electing a 60% joint and survivor form of pension or annuity,
   (ii) an original owner of a LIRA with a pension partner at retirement unless that owner is electing a 60% joint and survivor form of annuity,

(iii) a member or former member of a pension plan or an original owner of a LIRA whose pension partner wishes to waive entitlement to pre-retirement death benefits,

(iv) a member who wishes to commute a locked-in account due to non-residency status or shortened life expectancy, and

(v) a member seeking to draw funds from a locked-in account due to financial hardship.

d) Amend all waiver forms to reflect the advice requirement.

Draft Legislative Changes

43(1) The form of the statement for the purposes of section 39(5.1) of the Act is Form 4.

(2) The form of the statement for the purposes of section 40(4)(a) of the Act is Part 1 of Form 5.

(3) The form of the statement for the purposes of section 40(4.2)(a) of the Act is Part 2 of Form 5.

(4) The form of the statement for the purposes of section 46(5) of the Act is Form 6.

(5) The conditions prescribed for the purposes of section 39(5.1) of the Act are that the administrator receives proof satisfying the conditions referred to in subsection (4) and in the form referred to in subsection (5) that the pension partner obtained independent advice about the implications of executing the waiver.

(6) The conditions referred to in section 40(4)(b) and (4.2)(b) of the Act and section 39(10) of this Regulation, as it applies to section 39(5.1) of the Act are that the advice be given by a practising lawyer in Alberta who is without actual or perceived bias and who is independent of the member, the plan and the transferring and transferee financial institutions.

(7) The proof referred to in section 40(4)(b) and (4.2)(b) of the Act and section 39(10) of this Regulation, as it applies to section 39(5.1) of the Act is a statement, forming part of the statement under that provision, signed by the lawyer referred to in subsection (4) that the advice was given to the pension partner and that it satisfied the requirements of section 40 of the Act and of this section.

(8) A waiver under Part 1 or Part 2 of Form 5 operates only to waive entitlements referred to in that Part of that form and not with respect to entitlements under the other Part of that form.

See revised draft waiver forms in Appendix 1 to this paper.

4.3 Treatment of Benefits on Termination of a Pension Plan

Current Legislative Reference: none

Reference Changes: s 29(8) added

Proposal

a) Amend the Regulation to clarify that under a defined benefit provision, the commuted value of a benefit under a plan that is terminating must be determined as of the date of termination of the plan and adjusted for interest based on the fund rate of return to the end of the month preceding the date of payment.

   This new section will clarify the concept that a benefit crystallizes on termination of the pension plan. From there on, with the exception of pensions for which annuities are to be purchased, it takes on the characteristics of a defined contribution account. Once a pension plan has terminated, the benefit obligation is determined as at the effective date of the termination and interest accrues on it until it is paid to the member. In the case of a defined benefit that is to be paid as a commuted value transfer, the rate of interest to be applied is the fund rate of return as opposed to the rate used in the determination of that termination benefit. This will ensure that no further deficits or surpluses are created after the termination date.

Draft Regulation Change

29(8) Where the commuted value of a benefit under a defined benefit provision of a pension plan that is terminated is to be determined, it must be determined as of the date of the termination of the plan and, in respect of the period between that date and a date not earlier than the end of the month immediately preceding the payment or transfer of the commuted value out of the plan,

(a) that commuted value must be adjusted for interest, and

(b) interest must be paid on excess contributions that are required by section 37 of the Act to be paid from the plan,

at a rate not less than the rate of return earned by the plan during that period.

4.4 Commutation of Small Amounts

Current Legislative Reference: s45; Schedule 3

Reference Changes: s45(1.1) and (1.2) added; s45(2)(b) revised; Schedule 3 repealed

Proposal

a) Amend the small amounts commutation provisions of the legislation to clarify when the calculation is done and what is to be included.

It is the intent of legislation that the commuted value limit would be based on the Year's Maximum Pensionable Earnings (YMPE) as of the later of the time the member terminated membership or the date that a deferred member applied to have the funds paid out. It is also the intent that if a plan has more than one benefit accrual provision in which the member accrued benefits, or membership was continuous across more than one plan of the employer, the combined values would be used to determine eligibility for commutation. The proposed changes clarify this intent.

b) Amend the Regulation to permit a person who is age 65 or older to cash out a small LIRA, DC RIA or LIF as provided in section 45(2)(b)
   (i) without having to combine all locked-in accounts to determine qualification, and
   (ii) without having to sign the certification prescribed in Schedule 3.

Currently a person who is age 65 may commute a LIRA or LIF if the total in all of his locked in accounts is less than 40% of YMPE. He must sign a certification to this effect before a commutation can be done. This change will eliminate the need to combine the totals in various locked in accounts and enable an individual to commute a single small account that holds less than 40% of YMPE without a certification.

Draft Regulation Changes

45(1.1) A pension plan must provide for the payment option referred to in section 46(1) of the Act where pension commencement was deferred, on the administrator's being requested in writing to make the payment in accordance with the terms of the plan if,

(a) in the case of a plan containing a defined benefit provision,

(i) the monthly payments that would be payable as a result of that written request do not exceed 1/12 of 4% of the Year's Maximum Pensionable Earnings for the calendar year in which that request was made, or

(ii) the commuted value of the pension, as calculated at the time of that request, does not exceed 20% of that year's Year's Maximum Pensionable Earnings,

or

(b) in the case of a plan containing only defined contribution provisions, that commuted value, as so calculated, does not exceed that 20%.

(1.2) Where

(a) a member terminated membership in one plan to which the employer was required to make contributions on the member's behalf due to the member's becoming a member of another plan to which that employer is so required to make contributions,

(b) a member or former member has benefits from 2 or more plans as a result of a plan transfer within the meaning of section 65(1)(b), or

(c) a member or former member has benefits arising both from defined benefit provisions and defined contribution provisions of a particular plan,

the benefits under both or all of those plans or kinds of provision are to be aggregated for the purposes of the calculations under this section.

45(2) A LIRA, LIF or DC RIA must provide for the payment option referred to in section 46(1) of the Act, on application to the financial institution or plan administrator for the payment at any time

(a) [no change]

(b) if the owner, member or surviving pension partner owner has attained 65 years of age and the balance in the locked-in account does not exceed 40% of YMPE for the year in which the application is made.

Schedule 3 is repealed

5. Locked-in Products and Financial Hardship Access

5.1 Superintendent's List, Addenda for Locked-in Products and Abolishment of the LRIF

Current Legislative Reference: s38; s41

Reference Changes: s38 revised; s41 revised; 46.1 added; Schedule 2 new

Proposal

a) Amend the Regulation to require all financial institutions offering locked-in products to use the prescribed addenda for all LIRAs and LIFs (present and future) and provide a copy of those provisions to each locked-in account owner. (A draft of Schedule 2 will be available in the new year).

b) Amend the Regulation to require financial institutions offering locked-in products to file a form certifying that they will use the prescribed addenda for all of their Alberta locked-in products and administer the funds accordingly. (Draft prescribed addenda will be available in the new year)

   The proposed changes will standardize all Alberta locked-in contracts through the prescription of an addendum, thus ensuring correct wording on all accounts. In addition, it will simplify the process for a financial institution to be acknowledged and maintain status on the Superintendent's list by requiring a one-time filing of the certification form. Financial institutions will be given until the end of 2006 to update all of their existing accounts.

c) Amend the Regulation to allow financial institutions until the end of 2006 to file the required certification to remain on the Superintendent's List, to provide copies of the applicable revised addenda to all existing clients, and to convert all LRIFs to LIF accounts.

Draft Regulation Changes

38(1) The Superintendent shall, for the purposes of both or either of sections 39 and 40 in relation to any given financial institution, establish and maintain a list of the financial institutions that are acknowledged for those purposes and that are thereby authorized to issue the categories or category, being LIRAs and LIFs or either of those vehicles as the case may be, that are or is identified in that list.

(2) For the purposes of this section and sections 39 and 40, a financial institution is acknowledged if, after the commencement of this section,

(a) there have been filed

(i) a completed application on that financial institution's behalf in the form set out in Schedule 2,

(ii) a letter to, and in form and substance that satisfies, the Superintendent, certifying that

(A) an addendum in the exact wording prescribed in Form 1 or Form 2 of Schedule 1 forms or will form a portion of any LIRA or LIF, as the case may be, that was held by it before and that remains extant after the commencement of this subsection or that is issued by it after that commencement, and

(B) it will amend that addendum in every LIRA or LIF held by it if, as and when that prescribed form is amended,

and

(iii) any other relevant documents that the Superintendent has required it to file,

and

(b) the Superintendent has provided written notice to the financial institution stating that it has been acknowledged and placed on the list, and to the extent that the institution has not been removed under subsection (3).

(3) The Superintendent may, without affecting the duties or liabilities of a financial institution in relation to any transfer, LIRA or LIF, remove the financial institution completely from the list, or from the list so far as it relates to LIRAs or LIFs, if the financial institution has acted in breach of any of its obligations under sections 39 and 40, or either of them or imposed by this section, as the case may be.

(4) The current Superintendent's List respecting LIRAs, LIFs and LRIFs will be closed on December 31, 2006.

(5) A financial institution which, immediately before the commencement of this section, was acknowledged on the Superintendent's List of approved LIRA and/or LIF carriers shall, before the end of 2006,

(a) submit a written application to the Superintendent to be placed on the list, established under this section and undertaking to include the appropriate

addendum, which will be in compliance with this Regulation, in all LIRAs or LIFs, or both, as the case may be, to be issued by it, and

(b) within three months of being acknowledged, provide all existing LIRA and LIF holders with a copy of the prescribed addendum.

46.1(1) This section applies notwithstanding the abolition of the LRIF and the closing of the former list of financial institutions holding LIRAs, LIFs and LRIFs by section 38(4) of the *Employment Pension Plans (General, 2005) Amendment Regulation*.

(2) A financial institution which, immediately before the commencement of this section, was a party to an LRIF shall, before the end of 2006,

(a) submit a written application to the Superintendent to be placed on the list, established under section 38(5) and undertaking to include the appropriate addendum, which will be in compliance with this Regulation in all LIFs to be issued by it, and

(b) once acknowledged, convert that LRIF to a LIF that complies with section 40, and provide the owner with a copy of the prescribed addendum.

(3) A financial institution may continue to administer the LRIF, prior to the institution's implementation of subsection (2), in accordance with the terms of this Regulation, as it existed immediately prior to the commencement of that subsection, as if that amending Regulation had not been enacted.

(4) Where a transfer of locked-in money was made from an LRIF to a LIRA or a LIF before the commencement of this section and that transfer has not been completed, then the conditions set out for the transfer in this Regulation, as it existed as at that time, are to continue to apply to the transaction.

(7) If an individual becomes entitled to enter into an LRIF with a specific financial institution in 2006 before the institution has implemented subsection (2) and if that institution was on the list established under section 38 immediately before the commencement of the subsection so far as it related to LRIFs, then that institution may issue to that individual an LRIF under section 41, as it existed immediately prior to its repeal, and that LRIF must be converted in accordance with subsection (2).

(9) The financial institution shall, within 3 months after being acknowledged pursuant to section 38(2), send a copy of the addendum referred to in section 38(2)(a)(ii)(A), to all owners of LRIFs held immediately before that acknowledgement.

5.2 Revisions to the LIRA Addendum

Current Legislative Reference: s39

Reference Changes: s39 revised; Form 1 of Schedule 1

Proposal

a) Make consequential changes to the LIRA to reflect changes elsewhere in the Act and Regulation, such as entitlement to waive pre-retirement death benefits. (A draft of Form 1 will be available in the new year)

Draft Regulation Changes

39(1)

(a) "acknowledged" means, in relation to a financial institution, currently acknowledged under section 38 in relation to LIRAs or LIFs, as the case may be;

(b) "addendum" means the LIRA addendum referred to in subsection (3);

(c) "Alberta locked-in money" means money in a pension plan, LIRA, or LIF which originally belonged to a pension plan member who terminated membership in Alberta, and with respect to which the relevant requirements of this or any other Alberta pension legislation, including locking in, are required to be met;

(d) "financial institution" means the underwriter or depositary of a LIRA or LIF, as the case may be;

(e) "original owner" means the individual who was the member or former member referred to in clause (f)(i);

(f) "owner" means the person who owns the LIRA, who is either

(i) a member or former member of a pension plan who initially transferred the Alberta locked-in funds out of the pension plan,

(ii) a surviving pension partner owner , or

(iii) a non-member-pension partner owner;

(g) "non-member pension partner owner" means a person who owns a LIRA as a result of the application of Part 4 of the Act and Regulation;

(h) "surviving pension partner owner" means, in relation to money that is currently held in a LIRA,

(i) an individual who made a transfer pursuant to section 39(6) of the Act, or

(ii) a pension partner of and who survived a deceased original owner;

(i) "transferee financial institution" means a financial institution that has received or is to receive, and "transferor financial institution" means a financial institution that has transferred or is to transfer, money for deposit into a LIRA.

(2) The conditions on which a transfer of money to a LIRA (including a transfer from one LIRA to another) are to be made and the rules that apply with respect to LIRAs in general, including rules applicable to transfers from a LIRA, are as set out or referred to in this section, in the addendum and in other provisions of the legislation dealing with LIRAs.

(2.05) Transfers that

(a) were made to a LIRA before the commencement of this section,

(b) were in compliance with the law in force at the time of the transfer, and

(c) remain held in the LIRA immediately before that commencement,

(d) remain valid for the purposes of this section and shall be given full effect.

(2.07) Subject to subsection (2.05), this section applies with respect to a LIRA held after the commencement of this section, whether the LIRA was entered into before or after the commencement of this section.

(2.1) A transfer to a LIRA may be made only

(a) from a registered pension plan, another LIRA, a LIF, or an LRIF under section 30(5), 38 or 39(6) of the Act or section 39, 40, 41, 46.1(2) or 58(2), as the case may be, of this Regulation, or

(b) from a vehicle comprising a sum administered as a locked-in RRSP pursuant to an agreement originally entered into under section 16 of the *Regulations* under *The Pension Benefits Act* (AR 446/66) (repealed).

(3) A LIRA must have attached to it an addendum corresponding exactly to the wording in Form 1 (with instructions appropriately followed) and section 26(1) of the *Interpretation Act* does not apply with respect to that form, and an addendum so completed and attached becomes a part of the LIRA.

(3.2) An RRSP becomes a LIRA when, and not until, the completed addendum is attached to the RRSP.

(3.3) An administrator or a transferor financial institution shall not transfer money to a LIRA with a transferee financial institution without first

(a) ascertaining that the transferee financial institution is acknowledged in relation to LIRAs and that the money is Alberta locked-in money,

(b) if the transfer is being effected by a living original owner who has a pension partner who has waived entitlements in the form set out in Form 4, providing the financial institution with the original or a copy, certified as a true copy of the original by a commissioner for oaths or a notary public, of the executed waiver, in the administrator's or institution's possession, and

(c) advising the transferee financial institution in writing that the funds being transferred are Alberta locked-in money and that the requirements of the Act continue to apply.

(4) A transferee financial institution shall not accept a transfer of money to a LIRA unless

(a) that institution is acknowledged in relation to LIRAs,

(b) the money comes from a source referred to in subsection (2.1), and

(c) all the money to be transferred in is Alberta locked-in money to the best of that institution's knowledge.

(5) The transferee financial institution shall provide the owner with a copy of the whole LIRA.

(7) If the administrator or transferor financial institution does not comply with subsection (3.3) and the transferee financial institution does not pay the money transferred in accordance with the legislation (including the addendum), the pension plan or the transferor financial institution, as the case may be, continues to be liable to pay and shall ensure that the owner entitled to it receives a locked-in benefit in the amount of the funds that were transferred.

(8) If the owner receives any money from the transferee financial institution in respect of which the pension plan or the transferor financial institution meets all or part of its continuing liability under subsection (7), the plan or the transferor financial institution, as the case may be, has a right of action against the owner for that money or such part of it as constitutes double payment.

(10) A financial institution shall ensure that a LIRA issued by it or the money standing to the credit of such a LIRA, or both, as the case may be,

(a) is administered in accordance with the legislation (including the addendum),

(b) is invested in a manner that complies with the rules for the investment of RRSP money contained in the tax Act,

(c) subject to subsection (21.1), does not include any money that the financial institution knows is not Alberta locked-in money,

(d) is not used to purchase a LIF before the owner attains the age of 50 years, and

(e) is used to provide or secure retirement income that would, but for the transfer and previous transfers, if any, be required or permitted by the legislation, or is transferred to

(i) another LIRA,

(ii) a LIF,

(iii) subject to subsection (10.1), a registered pension plan, if that plan so permits, or

(iv) an insurance company for the purchase of a life annuity.

(10.05) Where a financial institution transfers money from a LIRA to another LIRA or to a LIF of which it is also the issuer, the financial institution is deemed for the purposes of the legislation to be acting at arm's length in relation to the 2 vehicles, and therefore to be the transferring financial institution in relation to the former and the transferee financial institution in relation to the latter.

(10.1) An owner may transfer money from a LIRA to a pension plan only if the transferor financial institution

(a) ensures that the plan is a registered pension plan,

(b) informs the plan's administrator in writing that the money is Alberta locked-in money which must be administered in accordance with the Act, and

(c) receives a written acknowledgement from the administrator that the money will continue to be locked in and administered in accordance with the Act.

(11) Notwithstanding anything in this section, a LIRA must permit the withdrawal of all the money in it as a lump sum if the owner applies to the financial institution with written evidence that the Canada Revenue Agency has confirmed that the owner has become a non-resident for the purposes of the tax Act and, where that owner is a living original owner with a pension partner, if that pension partner has waived all entitlements under the LIRA in the relevant form and manner prescribed in Form 6.

(12) Notwithstanding anything in this section, a LIRA must permit the withdrawal of all the money in it as a lump sum or a series of payments for the purposes of section 46(3) of the Act if 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 and, where that owner is a living original owner with a pension partner, if that pension partner has waived all pension partner entitlements under the LIRA in the relevant form and manner prescribed in Form 6.

(12.1) Where funds are to be transferred to purchase a retirement income arrangement, other than a 60% joint life annuity, a pension partner who executes a waiver under Part 1 of Form 5 is entitled, but is under no obligation, to waive benefits under Part 2 of that Form.

(13) A LIRA that is not eligible for the payment option referred to in section 45(2) may not be severed so as to transform it into 2 or more LIRAs or LIFs or DC RIAs or any combination of those vehicles, one or more of which is so eligible.

(15) Section 39(5.1) of the Act and section 43(5) to (8) of this Regulation, as they apply in respect of a benefit and a member or former member, apply in respect of money in a LIRA and a living original owner, the relevant waiver form being Form 4.

(16) To the extent that a LIRA does not in any respect effect a provision required by this Regulation to be included in or incorporated into a LIRA, the LIRA is deemed to make such provision in that respect as would make it comply with this Regulation.

(18) Notwithstanding anything in this Regulation, a LIRA must comply with the conditions for registration relating to RRSPs under the tax Act and, once registered, must be kept in such a form as to ensure continuation of that registration.

(19) Parts 4 of the Act and Regulation apply with respect to a LIRA and where money was subject to those Parts immediately before its transfer to a LIRA, that money continues to be subject to them.

(19.1) Where Parts 4 of the Act and Regulation apply with respect to the share in a LIRA of a non-member-pension partner, the conditions set out in those Parts (including the locking-in provisions) continue to apply to that share when it is transferred to another vehicle on that person's behalf.

(20) Sections 85 and 85.1 of the Act apply to all money held in a LIRA.

(22) The retirement income to be provided to a living original owner with a pension partner at the date that a pension or retirement income payments commence is to be such joint life pension as would, if the owner were a former member, be in compliance with section 40 of the Act, unless the pension partner waives the entitlement in the form and manner prescribed in Part 1 of Form 5.

(23) Within 60 days after the submission to the financial institution of the relevant documents required by it following the death of an original owner with a pension partner who has not effected a waiver under subsection (22), the balance in the LIRA is to be used to secure retirement income for the pension partner and is to be transferred, at the option of the pension partner,

(a) to an acknowledged financial institution to purchase another LIRA on the relevant conditions specified or referred to in this section,

(b) to an acknowledged financial institution to purchase a LIF on the relevant conditions specified or referred to in section 40,

(c) to a pension plan if that plan so provides

(d) to purchase a life annuity contract.

(24) Within 60 days after the submission to the financial institution of the relevant documents required by it following the death of an owner other than one to which subsection (23) applies, the designated beneficiary or, if there is no valid designation of beneficiary, the personal representatives of the original owner's estate in their representative capacity.

(26) Where the benefit in sub-section (24) is to be paid to the designated beneficiary of the member or the estate, as the case may be, it shall be paid as a cash lump sum.

5.3 New Life Income Fund/Elimination of the Locked-In Retirement Income Fund (LRIF)

Current Legislative Reference: s40; s41

Reference Changes: s40 revised; s41 revised, Schedule 1, Form 2 added

Proposal

a) Amend the Regulation to eliminate the LRIF.

b) Amend the Regulation to change the LIF in response to the Alberta Finance discussion paper, *Access to Locked-in Accounts*, released in November 2003. Changes to include the following:
   (a) the maximum withdrawal will be the greatest of
      (i) the minimum amount required to be withdrawn under the tax Act,
      (ii) the amount determined using the prescribed formula but based on the annuity factor for a term certain annuity to age 85 (rather than 90), and
      (iii) the interest gains on the fund in the immediately previous calendar year
   (b) the requirement to convert to an annuity at age 80 is removed;
   (c) the restriction on the investment in a non-arm's length mortgage is removed; and
   (e) the ability to commute the LIF due to non-residency of the account owner or due to considerably shortened life expectancy is now a mandatory provision.

   Stakeholders indicated that they wanted greater access to locked-in products, particularly at earlier ages and greater flexibility with respect to investments. To that end LIF provisions are amended. The LIF changes, in turn, eliminate the need for an LRIF as the maximum annual withdrawal limit of the LRIF is built into the LIF maximum, and there is no longer a requirement to buy an annuity with the LIF funds. The previous ability to carry forward unused portions of the annual LRIF maximum to future years will be discontinued, however, owners (as they have always been able to do) can roll over the unused portions of the maximum to a non-locked-in registered account each year, thus achieving the same goal.

These changes will increase the maximum amounts that can be withdrawn each year, but will still meet the objective of providing a lifetime income for a retiree. The age of 85 was chosen because an average person who reaches retirement age today can expect to live to be near 85. The removal of the restriction on the non-arm's length mortgages provides an additional option for investment. (A draft of Form 2 will be available in the new year)

LIF funds will continue to be accessible to owners who qualify for withdrawals due to financial hardship.

All existing LIFs and LRIFs must be converted to the new LIF product by the end of 2006.

See Appendix 2 for an example of the new maximum calculation.

Draft Regulation Changes

40(1) In this section,

(a) "acknowledged" means, in relation to a financial institution, currently acknowledged under section 38 in relation to LIFs or LIRAs, as the case may be;

(b) "addendum" means the LIF addendum referred to in subsection (3);

(c) "Alberta locked-in money" means money in a pension plan, LIRA, or LIF which originally belonged to a pension plan member who terminated membership in Alberta, and with respect to which the relevant requirements of this or any other Alberta pension legislation are required to be met;

(d) "financial institution" means the underwriter or depositary of a LIF or LIRA, as the case may be;

(e) "original owner" means the individual who was the member or former member referred to in clause (f)(i);

(f) "owner" means the person who owns the LIF, who is either

(i) a member or former member of a pension plan who initially transferred the locked-in funds out of the pension plan,

(ii) a surviving pension partner owner , or

(iii) a non-member-pension partner owner;

(g) "non-member pension partner owner" means a person who owns a LIF as a result of the application of Part 4 of the Act and Regulation;

(h) "surviving pension partner owner" means, in relation to money that is currently held in a LIF,

(i) an individual who made a transfer pursuant to section 39(6) of the Act, or

(ii) a pension partner of and who survived a deceased original owner;

(i) "transferee financial institution" means a financial institution that has received or is to receive, and "transferor financial institution" means a financial institution that has transferred or is to transfer, money for deposit into a LIF.

(2) The conditions on which a transfer of money to a LIF (including a transfer from one LIF to another) are to be made and the rules that apply with respect to LIFs in general, including rules applicable to transfers from a LIF, are as set out or referred to in this section, in the addendum and in other provisions of the legislation dealing with LIFs.

(2.05) Transfers that

(a) were made before the commencement of this section to a LIF,

(b) were in compliance with the law in force at the time of the transfer, and

(c) remain held in the LIF immediately before that commencement,

remain valid for the purposes of this section and shall be given full effect.

(2.09) Subject to subsection (2.05), this section applies with respect to a LIF held after the commencement of this section, whether the LIF was entered into before or after the commencement of this section.

(2.1) A transfer to a LIF may be made only from a registered pension plan, another LIF, a LIRA or an LRIF under section 38 or 39(6) of the Act or section 39, 40, 41, 46.1(2) or 58(2), as the case may be, of this Regulation.

(3) A LIF must have attached to it an addendum corresponding exactly to the wording in Form 2 (with instructions appropriately followed) and section 26(1) of the *Interpretation Act* does not apply with respect to that form, and an addendum so completed and attached becomes a part of the LIF.

(3.2) A RRIF becomes a LIF when, and not until, the completed addendum is attached to the RRIF.

(3.3) An administrator or a transferor financial institution shall not transfer money to a LIF with a transferee financial institution without first

(a) ascertaining that the transferee financial institution is acknowledged in relation to LIFs and that the money is Alberta locked-in money,

(b) if the transfer is being effected by a living original owner who has a pension partner, providing the financial institution with the original or a copy certified as a true copy of the original by a commissioner for oaths or a notary public of an executed waiver of entitlement by that pension partner to the minimum 60% joint life pension in the form set out in Part 1 of Form 5 (or Form 1 of Schedule 1, as it existed prior to the commencement of this section if the waiver was effected before then) and in the administrator's or institution's possession, and

(c) advising the transferee financial institution in writing that the funds being transferred are Alberta locked-in money and that the requirements of the Act continue to apply.

(4) A transferee financial institution shall not accept a transfer of money to a LIF unless

(a) that institution is acknowledged in relation to LIFs,

(b) the money comes from a source referred to in subsection (2.1), and

(c) all the money to be transferred in is Alberta locked-in money to the best of that institution's knowledge.

(5) The transferee financial institution shall provide the owner with a copy of the whole LIF.

(6) If the administrator or transferor financial institution does not comply with subsection (3.3) and the transferee financial institution does not pay the money transferred in accordance with the legislation (including the addendum), the pension plan or the transferor financial institution, as the case may be, continues to be liable to pay and shall ensure that the owner entitled to it receives a locked-in benefit of the funds that were transferred.

(8) If the owner receives any money from the transferee financial institution in respect of which the pension plan or the transferor financial institution meets all or part of its continuing liability under subsection (7), the plan or the transferor financial institution, as the case may be, has a right of action against the owner for that money or such part of it as constitutes double payment.

(10) A financial institution shall ensure that a LIF issued by it or the money standing to the credit of such a LIF, or both, as the case may be,

(a) is administered in accordance with the legislation (including the addendum),

(b) is invested in a manner that complies with the rules for the investment of RRIF money contained in the tax Act,

(c) subject to subsection (21.1), does not include any money that the financial institution knows is not Alberta locked-in money, and

(d) is used to provide or secure retirement income, in accordance with the terms of the LIF or is transferred to

(i) another LIF,

(ii) a LIRA,

(iii) subject to subsection (10.1), a registered pension plan if that plan so permits, or

(iv) an insurance company for the purchase of a life annuity.

(10.05) Where a financial institution transfers money from a LIF to another LIF or to a LIRA of which it is also the issuer, the financial institution is deemed for the purposes of the legislation to be acting at arm's length in relation to the 2 vehicles, and therefore to be the transferring financial institution in relation to the former and the transferee financial institution in relation to the latter.

(10.1) An owner may transfer money from a LIF to a pension plan only if the transferor financial institution

(a) ensures that the plan is a registered pension plan,

(b) informs the plan's administrator in writing that the money is Alberta locked-in money which must be administered in accordance with the legislation, and

(c) receives a written acknowledgement from the administrator that the money will continue to be locked in and administered in accordance with the Act.

(11) Notwithstanding anything in this section, a LIF must permit the withdrawal of all the money in it as a lump sum if the owner applies to the financial institution with written evidence that the Canada Revenue Agency has confirmed that the owner has become a non-resident for the purposes of the tax Act and, where that owner is a living original owner with a pension partner, if that pension partner has waived all entitlements under the LIF in the relevant form and manner prescribed in Form 6.

(12) Notwithstanding anything in this section, a LIF must permit the withdrawal of all the money in it as a lump sum or a series of payments for the purposes of section 46(3) of the Act if 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 and, where that owner is a living original owner with a pension partner, if that pension partner has waived all pension partner entitlements under the LIF in the relevant form and manner prescribed in Form 6.

(12.1) A pension partner who executes a waiver under Part 1 of Form 5 is entitled, but is under no obligation, to waive benefits under Part 2 of that Form. Part 2 may only be signed at the time of the initial purchase of a LIF from a LIRA or a pension plan.

(13) A LIF that is not eligible for the payment option referred to in section 45(2) may not be severed so as to transform it into 2 or more LIFs, DC RIAs or LIRAs or any combination of those vehicles, one or more of which is so eligible.

(16) To the extent that a LIF does not in any respect effect a provision required by this Regulation to be included in or incorporated into a LIF, the LIF is deemed to make such provision in that respect as would make it comply with this Regulation.

(18) Notwithstanding anything in this Regulation, a LIF must comply with the conditions for registration relating to RRIFs under the tax Act and, once registered, must be kept in such a form as to ensure continuation of that registration.

(19) Parts 4 of the Act and Regulation apply with respect to a LIF and where money was subject to those Parts immediately before its transfer to a LIF, that money continues to be subject to them.

(19.1) Where Parts 4 of the Act and Regulation apply with respect to the share in a LIF of a non-member-pension partner, the conditions set out in those Parts (including the locking-in provisions) continue to apply to that share when it is transferred to another vehicle on that person's behalf.

(20) Sections 85 and 85.1 of the Act apply to all money held in a LIF.

(23) Within 60 days after the submission to the financial institution of the relevant documents required by it following the death of the owner the balance in the LIF is to be paid to or on behalf of

(a) in the case of an original owner whose pension partner did not waive entitlements under Part 2 of Form 5, the pension partner; or

(b) in the case of any other owner the designated beneficiary or, if there is no valid designation of beneficiary, the personal representatives of the original owner's estate in their representative capacity.

(24) The benefit in subsection (23) is to be paid in cash to the pension partner, beneficiary or estate representative, as the case may be; however, if the payment is to be made to the pension partner, the pension partner may elect instead to have the funds transferred to an RRSP or RRIF.

(27) The financial institution shall provide to the owner

(a) at the beginning of each fiscal year of the LIF, information on

(i) the sums deposited, the investment income, gains and losses earned, the payments made out of the LIF and the fees charged against it, during the previous fiscal year of the LIF, and

(ii) the minimum amount that must, and the maximum amount that may, be paid out of the LIF to the owner during the current fiscal year,

and

(b) if the balance in the LIF is transferred as described in section (6) of Form 2, the information described in clause (a), as of the date of the transfer.

(28) A LIF is not established, and it has no effect, unless and until

(a) the owner is at least 50 years of age,

(b) the LIF issuer has made every reasonable effort to ascertain whether or not the owner has a pension partner and, if so, his or her identity,

(c) if there is such a pension partner, the LIF issuer has received a waiver of the 60% joint life pension entitlement in the form prescribed in Part 1 of Form 4 of Schedule 1, and

(d) that waiver has been attached to the rest of the prospective LIF and the waiver referred to in clause (c) is part of the LIF.

(29) The fiscal year of a LIF is the calendar year.

41(01) Subject to section 46.1, the LRIF is abolished for the purposes of the legislation.

5.4 Financial Hardship Access

Current Legislative Reference: s41.1; s72; Schedule 4

Reference Changes: Act s85.3 (as per amending Act); s41.1 revised; s46.2 added; s67.1 added; s72.1 repealed; Schedule 4 revised

Proposal

a) Amend the Regulation to make the Financial Hardship Access program permanent.

The financial hardship access program was introduced as a temporary program to provide financial relief for locked-in account owners facing certain circumstances of financial hardship. Based on stakeholder response, it has been decided to make this a permanent program under the Act.

b) Amend the Regulation to revise certain features of the program, including limiting the number of applications that an individual may make under the program to one application per 12-month period.

c) Amend the Regulation to prevent owners of locked-in accounts being forced to deplete those accounts before qualifying for other support programs.

A locked-in account is intended to provide retirement income to the account owner. In light of this important objective, the financial hardship access program was only intended to provide access to the funds in the account in situations of sudden and unexpected financial hardship and where no other means or program is available to the individual. Many applicants make multiple applications, indicating that they have an ongoing financial problem rather than the short-term type that this program was designed for. Changes will also clarify that applicants will not be forced to deplete their accounts before they can qualify for social benefits.

The proposed changes will preserve the purpose of the accounts to provide retirement income.

Draft Regulation Change

Section 72.1 is repealed.

46.2 The basis for the Superintendent's consent under section 46(9) of the Act is that set out in Schedule 4.

41.1(3) A person who has made an application for a withdrawal under subsection (1) in the previous 12 months may not apply again for such a withdrawal, and this prohibition also applies in respect of the right to withdraw provided for in subsection (2).

67.1 For the purposes of section 85.3 of the Act,

(a) the provision of this Regulation prescribed is section 41.1, and

(b) the legislation prescribed is

(i) the *Assured Income for the Severely Handicapped Act*,

(ii) the *Income and Employment Supports Act*,

(iii) the *Student Financial Assistance Act*,

(iv) the *Seniors Benefit Act*, and

(v) any other Alberta statute whereby persons are entitled to sums of money based on means testing,

and, where applicable, the regulations under those Acts.

6. Miscellaneous

6.1 Maintenance Enforcement

Current Legislative Reference: none

Reference Changes: s41.1(4) added;

Proposal

a) Amend the Regulation to permit seizure of funds from a LIRA or LIF where required under a Maintenance Enforcement Order.

   This change was required due to recent changes in the *Maintenance Enforcement Act* and Regulation.

b) Amend the Regulation to clarify the Superintendent's and any financial institution's authority to collect the necessary information to proceed under section 41.1 (the Financial Hardship Unlocking program) and to permit the Superintendent to disclose to the Director of Maintenance Enforcement such information as may be required under maintenance enforcement legislation.

   This change was required due to recent changes in *Maintenance Enforcement Act* and Regulation.

Draft Legislative Change

41.1(4) Without limiting any other right of the Superintendent as to the collection, use or disclosure of personal information, the Superintendent and a financial institution may collect and use such information as is needed to implement this section, and the Superintendent may disclose to the Director of Maintenance Enforcement such information relating to its implementation with respect to maintenance within the meaning of the *Maintenance Enforcement Act* as that Director needs for the purposes of a program under that Act.

6.2 Fees

Current Legislative Reference: s.6

Reference Changes: s6;

Proposal

a) Amend the Regulation to increase fees for plans applying for registration and for the filing of Annual Information Returns (AIRs) to $7.00 per active member from $4.50 per active member. The minimum fee would increase to $200 from $70 while the maximum fee would increase to $20,000 from $7,000.

b) Amend the Regulation to apply a penalty of 10% of the required filing fee for those plans that are late in filing their Annual Information Returns.

The Superintendent's office is moving to a cost recovery basis for all programs except Financial Hardship Unlocking. Programs such as risk assessment and plan examinations have already been implemented to focus resources in the most effective manner.

Late filings are very costly in terms of administrative follow-up. This change will permit the Superintendent to charge those who are creating this additional cost.

Alberta's fees for pension plan filings are the lowest in Canada. The following table compares our current fee schedule against three other jurisdictions: the Financial Institutions Commission of British Columbia (FICOM), the Financial Services Commission of Ontario (FSCO) and the federal Office of the Superintendent of Financial Institutions (OSFI).

Jurisdiction	Annual Filing Fee	Min	Max
Alberta (PIFI)	$4.50/member	$70	$7,000
FICOM	$7.00/member	$200	$20,000
OSFI	$12.00/member for the 1st 1,000 members and $6.00/member in excess of 1,000	$240	$120,000
FSCO	$6.15/member and $4.25/former member	$250	$75,000

FSCO charges a late filing penalty of 10% of the original filing fee.

FICOM and OSFI are similar to PIFI in number of plans monitored. OSFI's risk-based plan supervision program most closely resembles the risk-based program Alberta has been moving towards. FSCO is included for comparison, as it regulates the largest group of pension plans and members in Canada.

At this time the Regulation is amended only to change the filing fee structure for Annual Information Returns and Applications for Registration, and to add a late filing penalty with respect to Annual Information Returns as an incentive to file on time.

Draft Regulation Change

6(1) The fee for filing a return referred to in section 14(3)(a) (ii) of the Act or, an application for registration under section 19(1) of the Act is payable at the rate of $7.00 for each person who was a member of the pension plan at the effective date of the plan in the case of such an application or at the end of the fiscal year in the case of such a filing, subject to a minimum fee of $200 and a maximum fee of $20,000 for each filing.

(2.1) Where an Annual Information Return is filed after the due date prescribed in section 8(2)(a), an additional fee equal to 10% of the required filing fee for the year in question will be charged to the administrator.

7 Exemptions

7.1 Plans for Specified Individuals

Current Legislative Reference: none

Reference Changes: Schedule 0.2 (2) added

Proposal

a) Amend the Regulation to exempt Plans for Specified Individuals whose only members are connected persons under the meaning given in the tax Act (Plans for Connected Individuals or PCIs), from all filing requirements under the Act. Connected persons have an ownership stake in the business sponsoring the plan. These plans would continue to be required to comply with all of the requirements of the Act related to funding and payment of benefits. Furthermore, the Superintendent would retain the authority to take action against the sponsors of these plans if compliance issues were brought to his attention. Because of the control that the plan members exercise over the business and the plan, these plans do not require the same level of compliance monitoring as plans where the individual members do not have full control.

Plans for Specified Individuals whose members are not all connected persons would be treated as regular pension plans and would be subject to all filing requirements.

Draft Regulation Changes

Schedule 0.2

2 Without limiting any specific exemptions in the Act or this Regulation, plans for connected individuals are exempt from the following provisions of the Act and of this Regulation respectively:

Act Provisions

sections 14(3)(a)(i), 19, 20(1) and (3), 21, 23(2), 76((3) and (4)?), 77(1), 82(1)(b) and (c), (2) and (3) and 83(1)(b) and (c)

Provisions of this Regulation

sections 6(1), (2) and (3), 8(1) and 67(2), (4), (6), (7) and (8)

Due to the nature of the regulation, any PCI that has an effective date, or a termination date, prior to the coming into force of the new Regulations **must file** the appropriate registration and/or termination documents with the Superintendent.

7.2 Publicly Funded Pension Plans

Current Legislative Reference: none

Reference Changes: s2(1)(p.1) added; s48(3.1) added; Schedule 0.2(1) added

Proposal

a) Amend the Regulation to add a definition of publicly funded plan to the Regulation.

b) Amend the Regulation to permit publicly funded plans that are required to be registered under the *Employment Pension Plans Act* to apply for exemption from solvency funding requirements while the plan is ongoing provided that the administrator

(i) agrees to perform solvency valuations as part of the regular triennial (and any other required) filings with the Superintendent,

(ii) acknowledges that the Superintendent may refuse any amendment to the plan that affects solvency if the plan has a solvency deficiency or the plan solvency ratio is less than one, and

(iii) files a signed agreement from the contributing employers to pay any deficiency should the plan be terminated.

Public sector plans are very unlikely to terminate, and should they terminate and at that time have a solvency deficiency, there will be an employer there to fund that deficit.

c) Amend the Regulation to permit registered publicly funded plans that are supplemental to a public sector plan that is not required to be registered under the *Employment Pension Plans Act* to use the definition of pension partner under the plan to which it is supplemental, rather than the definition specified in the Act.

For supplemental plans it is administratively untenable to have two definitions of pension partner applying to the same set of benefits.

Draft Regulation Changes

2(1) (p.1) "publicly funded plan" means a pension plan, including a supplemental pension plan,

(i) that is funded, whether directly or indirectly, from a public entity that operates on a non-profit basis and that is, was or has the potential to be an employer under a pension plan covered by the *Public Sector Pension Plans Act* or from a source related to such an entity, and

(ii) that is designated by the Superintendent, by written notice to that entity, as a publicly funded plan for the purposes of this Regulation or the specific provisions of this Regulation being interpreted, as the case may be;

48(3.1) The criteria prescribed for the purposes of section 48(4) of the Act are that

(a) the jointly funded pension plan is a publicly funded plan,

(b) the administrator has applied in writing to the Superintendent for that subsection to apply to the plan, and

(c) the Superintendent has approved that application.

Schedule 0.2

1(1) The Superintendent may, on application in writing, exempt a publicly funded plan, on any conditions that the Superintendent considers appropriate, from the requirements of section 48(3)(c) of this Regulation if the administrator makes a written application to the Superintendent that includes

(a) an undertaking to file triennial solvency valuations with the Superintendent,

(b) an acknowledgement that the Superintendent may refuse any amendment to the plan that affects solvency if the plan has a solvency deficiency or the plan solvency ratio is less than one, and

(c) an agreement from the contributing employers to pay any deficiency should the plan be terminated.

(2) The Superintendent may, on application in writing, exempt a publicly funded plan that is a supplemental pension plan from the requirement to use the definition in section 1(1)(ff.1) of the Act, so long as it uses instead, for the purposes of the plan, the corresponding definition in the publicly funded plan to which it is supplemental.

Appendix 1

Form 4

Employment Pension Plans Act and Regulation

Pension Partner Waiver of Pre-Retirement Death Benefit under Pension Plan or LIRA

(Section 39(5.1) of the Act and sections 39(15) and 43(5) of, and Form 1 of Schedule 1 to, the Regulation)

I, (name), am a "pension partner" (as described below) of (insert name of member/former member/ owner) (in this waiver form referred to as "the plan member/ owner") who, at the time of my signing this form, is alive. The plan member/owner is either

A pension plan member who is actively earning or has earned benefits under (name of pension plan), a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation (in this waiver form referred to as "the legislation"). These benefits remain in that pension plan.

or

An owner of a LIRA who earned benefits under (name of pension plan), a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation. These benefits were transferred from that plan and are now in a LIRA.

or

An owner of a LIRA who earned benefits under (name of pension plan), a pension plan established under the *Public Sector Pension Plans Act* or the *Teacher's Pension Plans Act*. These benefits were transferred from that plan and are now in a LIRA.

Being the plan member's/owner's "pension partner" means that, as at the time of signing this waiver form

(a) I am married to the plan member/owner and have not been living separate and apart from the plan member/owner for 3 or more consecutive years, or

(b) there is no other person to whom paragraph (a) applies, and I am living with the plan member/owner in a conjugal relationship which has lasted for a continuous period of at least 3 years, or we have a child of our relationship by birth or adoption and are living together in a conjugal relationship of some permanence.

I understand that if I do not sign this waiver form, and the plan member/owner dies, before commencement of the payment of a pension or any other form of retirement income, and I am still the pension partner of the plan member/owner at the date of the latter's death, I am entitled to receive a pre-retirement death benefit.

The pre-retirement death benefit,

a) if being paid from a pension plan is the value of the plan member's benefit at the date of death, and

b) if paid from a LIRA is the value of the owner's LIRA account.

I understand that I may give up a pension partner's right to receive any pre-retirement death benefit by signing this waiver form, in which case payment of this benefit will be made to either

(a) a beneficiary other than myself, designated by the plan member/owner, or

(b) the personal representative of the plan member/owner for distribution as part of his or her estate.

Nevertheless I give up my rights to the pre-retirement death benefits otherwise required by the legislation.

I have chosen to sign this waiver and in so doing I give up my right to receive any pre-retirement death benefit payment under section 39 of the *Employment Pension Plans Act* or section 39(15) of the *Employment Pension Plans Regulation* (AR 35/2000) and to any right that I may otherwise have under any designation of myself as beneficiary by the plan member/owner.

Dated at (municipality) in the Province of _____ this ___ day of (month), 20 (year).

(signature of waiving pension partner)
(witness to signature of waiving pension partner)

Certification

I certify that

(a) I have read this form and understand it,

(b) I have read and reviewed the plan member/owner's retirement statement or a statement from the administrator/financial institution showing the balance in the plan member/owner's account and know the amount of the benefits I am giving up as a result of completing this form,

(c) I am signing this form of my own free will,

(d) the plan member/owner is not present while I am signing this form,

(e) I have obtained independent legal advice about the implications of signing this form, and

(f) I realize that

(i) this form only gives a general description of the legal rights I have under the Act and the regulations under the Act, and

(ii) if I wish to understand exactly what my legal rights are, I must read the Act and the regulations under the Act.

This certification is given at (municipality), (province), this __ day of _____, ____.

(signature of pension partner)

I, (print name of witness), of (print address of witness) do witness the signature of the pension partner who signed this certification before me outside of the presence of the plan member/owner.

(signature of witness)

Statement as to Advice by a Practising Lawyer

I am a practising lawyer in Alberta. I do not have any actual or perceived bias as to the advice referred to below and I am independent of the plan member/owner described above and the pension plan and the financial institution(s) involved in the transaction. I confirm I have given the pension partner independent advice about the implications of executing the statement set out above. The advice I have given satisfies the requirements of sections 39(5.1) and 40(4)(b) of the *Employment Pension Plans Act* and section 43(5) of the *Employment Pension Plans Regulation*.

(name and address of lawyer)

Form 5

Employment Pension Plans Act and Regulation

Pension Partner Waiver of Post-Pension Commencement Death Benefit

(Section 40(4) and (4.2) of the Act and sections 39(3.3)(b) and (22 and 43(5) of, and 1 and 2 of Schedule 1 to, this Regulation)

I, (name) , am a "pension partner" (as described below) of (insert name of member/former member/original owner) (in this waiver form referred to as "the plan member/ owner") who, at the time of my signing this form, is alive.

The plan member is actively earning or has earned benefits under (name of pension plan) , a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation (in this waiver form referred to as "the legislation"). These benefits remain in that pension plan.

or

An owner of a LIRA who earned benefits under (name of pension plan), a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation. These benefits were transferred from that plan and are now in a LIRA.

or

An owner of a LIRA who earned benefits under (name of pension plan), a pension plan established under the *Public Sector Pension Plans Act* or the *Teacher's Pension Plans Act*. These benefits were transferred from that plan and are now in a LIRA.

Being the plan member's/original owner's "pension partner" means that, as at the time of signing this waiver form

(a) I am married to the plan member/original owner and have not been living separate and apart from the plan member/owner for 3 or more consecutive years, or

(b) there is no other person to whom paragraph (a) applies, and I am living with the plan member/owner in a conjugal relationship which has lasted for a continuous period of at least 3 years or, we have a child of our relationship by birth or adoption and are living together in a conjugal relationship of some permanence.

Part 1
Waiver of Minimum 60%
Joint Life Pension

I understand that the legislation requires that the benefits earned under the pension plan or held in the LIRA must be paid as at least a 60% joint life pension with me as the nominated survivor. This means that if the plan member/owner starts to receive a pension and dies before I do, survivor payments equal to at least 60% of the original amount will continue to me for my lifetime.

However, I understand that if I choose to sign this Part (Part 1) of this waiver form and it is filed with the plan administrator/financial institution, I give up my rights to the minimum 60% joint life pension. I further understand that my signing this Part 1 means that the plan member/owner may choose

(a) a pension or annuity form that

(i) gives me a lower survivor benefit than the 60% joint life pension,

(ii) provides a lump sum death benefit for which I will be named the beneficiary unless I waive my entitlement by signing Part 2 of this waiver form, or

(iii) provides no death benefit at all.

(b) to transfer the value of the pension to provide retirement income through a LIF or a DC RIA, for which I would be the beneficiary of any remaining funds on the death of the plan member/original owner, unless I waive my entitlement by signing Part 2 of this waiver form.

Nevertheless, I give up my rights to the minimum 60% joint life pension or retirement income otherwise required by the legislation.

I have chosen to sign Part 1 of this waiver and in so doing I hereby give up my entitlement to receive the 60% joint and survivor death benefit payment under section 40 of the *Employment Pension Plans Act* or section 39(22) of the *Employment Pension Plans Regulation* (AR 35/2000). In signing this Part 1 of the waiver I do not give up my entitlement to any right that I may otherwise have under any designation of myself as beneficiary by the plan member/owner.

Dated at (municipality) in the Province of _____ this ___ day of (month) , 20 (year) .

(signature of waiving pension partner)
(witness to signature of waiving pension partner)

Part 2
Sole Designated Beneficiary Rights

[NOTE: If you have completed Part 1 above, **you may, but do not have to,** complete the form in this Part by signing it below. You may not sign this Part unless you have signed Part 1.]

I understand that although I have given up my rights to the minimum 60% joint life pension by completing Part 1 of the waiver form, the legislation makes me the sole designated beneficiary of the plan member/owner, meaning that I would receive any residual benefit from the plan, annuity, DC RIA or LIF on the plan member's/owner's death.

Nevertheless, in addition to giving up my rights to the minimum 60% joint life pension, as I have done in Part 1, I also give up all my rights to be the designated beneficiary and, as a result, all other benefits or entitlements that I have or may have under the plan, annuity, DC RIA or LIF, (other than those arising under or by virtue of Part 4 of the Act and Regulation as a result of any breakdown or potential breakdown in the relationship between the plan member/owner and myself).

I have chosen to sign Part 2 of this waiver and in so doing I hereby give up my entitlement to be the designated beneficiary with respect to any death benefit payable from the plan, annuity, DC RIA or LIF, as the case may be, section 40 of the *Employment Pension Plans Act* or section 39(23) of the *Employment Pension Plans Regulation* (AR 35/2000).

To give up my rights referred to in paragraph 2 of this Part (Part 2), I sign the statement in this Part at (municipality), (province), this ___ day of _____, ____. I understand that the certifications contained in Part 1 of this form also apply to this Part of this form.

(signature of pension partner)

I, (print name of witness), of (print address of witness) do witness the signature of the pension partner who signed either paragraph 1 or paragraph 2 (but not both) of this form before me outside of the presence of the pensioner/owner.

(signature of witness)

Certification as to Both Parts of This Waiver Form

I certify that

(a) I have read both Parts (Parts 1 and 2) of this waiver form and understand them,

(b) I have read and reviewed the plan member's/owner's retirement statement or a statement from the administrator/financial institution showing the balance in the plan member's/owner's account and know the amount of the benefits I am giving up as a result of completing Part 1 of this waiver form and, if I also sign Part 2, Part 2 as well of this form.

(c) I am signing

- Part 1 of this form of my own free will;
- Part 2 of this form of my own free will,

(d) the plan member/owner is not present while I am signing anything in this form,

(e) I have obtained independent legal advice about the implications of signing Part 1 and Parts 1 and 2 of this form, and

(f) I realize that

(i) this form only gives a general description of the legal rights I have under the legislation, and

(ii) if I wish to understand exactly what my legal rights are, I must read the legislation applicable.

This certification is given at (municipality), (province), this __ day of _____, ____.

(signature of pension partner)

I, (print name of witness), of (print address of witness) do witness the signature of the pension partner who signed this certification before me outside of the presence of the plan member/owner.

(signature of witness)

Statement as to Advice by a Practising Lawyer

I am a practising lawyer in Alberta. I do not have any actual or perceived bias as to the advice referred to below and I am independent of the plan member/owner described above and the pension plan and the financial institution(s) involved in the transaction. I confirm I have given the pension partner independent advice about the implications of executing the statement set out above. The advice I have given satisfies the requirements of sections 39(5.1) and 40(4)(b) of the *Employment Pension Plans Act* and section 43(5) of the *Employment Pension Plans Regulation*.

(name and address of lawyer)

Form 6

Employment Pension Plans Act and Regulation

Pension Partner's Declaration to Permit Commutation due to Shortened Life or Taking Non-residency Status

(Sections 46(5) of the Act and sections 39, 40 and 43 of this Regulation)

I, (name), am a "pension partner" (as described below) of (insert name of member/former member/original owner) (in this waiver form referred to as the "plan member/owner") who, at the time of my signing this form, is alive.

The plan member is actively earning or has earned benefits under (name of pension plan), a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation (in this waiver form referred to as "the legislation"). These benefits remain in that pension plan.

or

An owner of a LIRA or a LIF who earned benefits under (name of pension plan), a pension plan regulated in accordance with the *Employment Pension Plans Act* and Regulation. These benefits were transferred from that plan and are now in a LIRA or LIF.

or

An owner of a LIRA or LIF who earned benefits under (name of pension plan), a pension plan established under the *Public Sector Pension Plans Act* or the *Teacher's Pension Plans Act*. These benefits were transferred from that plan and are now in a LIRA or LIF.

Being the plan member's/owner's "pension partner" means that, as at the time of signing this waiver form

(a) I am married to the plan member/owner and have not been living separate and apart from the plan member/owner for 3 or more consecutive years, or

(b) there is no other person to whom paragraph (a) applies, and I am living with the plan member/original in a conjugal relationship which has lasted for a continuous period of at least 3 years or, we have a child of our relationship by birth or adoption and are living together in a conjugal relationship of some permanence.

I understand that as the pension partner of the plan member/owner, I am entitled

a) if the plan member/owner dies **prior** to pension/retirement income commencement to receive the amount then held for the benefit of that member in the pension plan, LIRA or LIF, as the case may be unless I give up that entitlement under the Pre-Retirement Death Benefit Waiver (Form 4 of Schedule 1 of the *Employment Pension Plans Act*), and

b) if the plan member owner dies after retirement to be the named beneficiary of a 60% joint and survivor pension/annuity unless I give up that entitlement under Part 1 of the Post-Retirement Death Benefit Waiver (Form 5 of Schedule 1 of the *Employment Pension Plans Act*), and

c) even if I sign Part 1 of the waiver noted in (b), I continue to be the beneficiary of any residual benefit from the pension plan, LIRA or LIF as the case may be unless I also sign Part 2 the Post-Retirement Death Benefit Waiver (Form 5 of Schedule 1 of the *Employment Pension Plans Act*).

I further understand that if I choose to sign this waiver form and it is filed with the plan administrator/financial institution I give up all entitlement to any pre or post-retirement benefit, as described in the preceding paragraph, from the pension plan, LIRA or LIF, as the case may be.

Nevertheless, I give up all entitlement to any pre or post-retirement benefit, from the pension plan, LIRA or LIF, as the case may be.

I have chosen to sign this waiver and in so doing I hereby give up any and all of my entitlement to any death benefit payable from the plan, LIRA or LIF, as the case may be, section 40 of the *Employment Pension Plans Act* or section 39(23) of the *Employment Pension Plans Regulation* (AR 35/2000).

To give up my rights mentioned above, I sign this form at (municipality), (province), this ___ day of _____,

(signature of pension partner)

I, (print name of witness), of (print address of witness) do witness the signature of the pension partner who signed this form before me outside of the presence of the plan member/owner.

(signature of witness)

Certification

I certify that

(a) I have read this form and understand it,

(b) I have read and reviewed the plan member/owner's retirement statement or a statement from the administrator/financial institution showing the balance in the plan member/owner's account and know the amount of the benefits I am giving up as a result of completing this form,

(c) I am signing this form of my own free will,

(d) the plan member/owner is not present while I am signing this form,

(e) I have obtained independent legal advice about the implications of signing this form, and

(f) I realize that

(i) this form only gives a general description of the legal rights I have under the Act and the regulations under the Act, and

(ii) if I wish to understand exactly what my legal rights are, I must read the Act and the regulations under the Act.

This certification is given at (municipality), (province), this __ day of _____, ____.

(signature of pension partner)

I, (print name of witness), of (print address of witness) do witness the signature of the pension partner who signed this certification before me outside of the presence of the plan member/owner.

(signature of witness)

Statement as to Advice by a Practising Lawyer

I am a practising lawyer in Alberta. I do not have any actual or perceived bias as to the advice referred to below and I am independent of the plan member/owner and the pension plan and the financial institution(s) involved in the transaction. I confirm I have given the pension partner independent advice about the implications of executing the statement set out above. The advice I have given satisfies the requirements of sections 39(5.1) and 40(4)(b) of the *Employment Pension Plans Act* and section 43(5) of the *Employment Pension Plans Regulation*.

(name and address of lawyer)

Appendix 2

Example based on a hypothetical investment experience for a life income fund account starting at $100,0000

$100,000		CURRENT LIF RULES			PROPOSED LIF RULES				
Age	**Rate of Return(%)**	**Maximum Factor**	**Maximum Withdrawal**	**Balance at Year-End**	**Maximum Factor**	**Maximum Dollars**	**Previous Year's Investment Gain/(Loss)**	**Maximum Withdrawal**	**Balance at Year-End**
60	8.70%	6.85%	**$6,850**	$101,254	7.38%	$7,380	n/a	**$7,380**	$100,678
61	5.50%	6.94%	**$7,027**	$99,410	7.52%	$7,571	$8,058	**$8,058**	$97,714
62	6.20%	7.04%	**$6,998**	$98,141	7.67%	$7,495	$5,094	**$7,495**	$95,813
63	7.70%	7.14%	**$7,007**	$98,151	7.83%	$7,502	$5,594	**$7,502**	$95,111
64	1.60%	7.26%	**$7,126**	$92,481	8.02%	$7,628	$6,800	**$7,628**	$88,883
65	11.00%	7.38%	**$6,825**	$95,078	8.22%	$7,306	$1,400	**$7,306**	$90,550
66	8.80%	7.52%	**$7,150**	$95,666	8.45%	$7,651	$8,973	**$8,973**	$88,755
67	7.20%	7.67%	**$7,338**	$94,688	8.71%	$7,731	$7,179	**$7,731**	$86,858
68	11.30%	7.83%	**$7,414**	$97,136	9.00%	$7,817	$5,834	**$7,817**	$87,973
69	10.50%	8.02%	**$7,790**	$98,727	9.34%	$8,217	$8,932	**$8,932**	$87,340
70	11.50%	8.22%	**$8,115**	$101,032	9.71%	$8,481	$8,299	**$8,481**	$87,929
71	7.50%	8.45%	**$8,537**	$99,432	10.15%	$8,925	$9,069	**$9,069**	$84,774
72	6.90%	8.71%	**$8,661**	$97,035	10.66%	$9,037	$5,914	**$9,037**	$80,963
73	-0.80%	9.00%	**$8,733**	$87,595	11.25%	$9,108	$5,226	**$9,108**	$71,280
74	10.00%	9.34%	**$8,181**	$87,355	11.96%	$8,525	($575)	**$8,525**	$69,030
75	5.90%	9.71%	**$8,482**	$83,526	12.82%	$8,850	$6,275	**$8,850**	$63,731
76	11.00%	10.15%	**$8,478**	$83,304	13.87%	$8,840	$3,551	**$8,840**	$60,930
77	-0.70%	10.66%	**$8,880**	$73,903	15.19%	$9,255	$6,038	**$9,255**	$51,313
78	7.40%	11.25%	**$8,314**	$70,442	16.90%	$8,672	($362)	**$8,672**	$45,796
79	8.80%	11.96%	**$8,425**	$67,475	19.19%	$8,788	$3,155	**$8,788**	$40,265
80	12.50%				22.40%	$9,019	$3,257	**$9,019**	$35,151
81	8.00%				27.23%	$9,572	$3,906	**$9,572**	$27,626
82	11.30%				35.29%	$9,749	$2,046	**$9,749**	$19,897
83	9.80%				51.46%	$10,239	$2,020	**$10,239**	$10,604
84	8.50%				100.00%	$10,604	$946	**$10,604**	$0

Balance must be used to purchase a life annuity at age 80.

NOTES:

- It is assumed that the maximum withdrawal is taken on January 1 of each year.

- In the Current Rules, the maximum is a factor-based calculation using a term-certain to age 90, but requiring the purchase of a life annuity by age 80

- In the Proposed Rules, the maximum is the greater of a factor-based calculation using a term-certain to age 85, and the *previous year's* investment gain.

This indicates a year where the Investment Gain in the previous year exceeds the maximum calculated from the factors.