

EPPA Update 00-04

LIRAs, LIFs AND LRIFs

NEW LEGISLATION PROCLAIMED IN FORCE ON MARCH 1,2000

The *Employment Pension Plans Amendment Act*, proclaimed in force on March 1, 2000, sets out revised requirements financial institutions must follow in order to be able to accept transfers of locked-in pension funds under Alberta's jurisdiction. Some changes regarding the operation and administration of these products were also made.

The revised *Employment Pension Plans Regulation* contains detailed information on the procedure for appearing on the Superintendent's List of Financial Institutions and the overall administration of Locked-In Retirement Account (LIRA), Life Income Fund (LIF) and Locked-In Retirement Income Fund (LRIF) contracts.

SUPERINTENDENT'S LIST TAKES ON A NEW FORMAT AND FILING PROCESS, Regulation. s. 38

The Superintendent's List will now list only the names of financial institutions eligible to accept locked-in pension funds into LIRA, LIF and LRIF contracts. Individual contracts and agents will no longer be listed. This new format recognizes the fact that the financial institution holding the funds has the ultimate fiduciary responsibility for ensuring that locking-in rules are followed.

In order to appear on the new Superintendent's List, a financial institution must file:

- a) a "boilerplate" addendum for a LIRA, LIF and/or LRIF, that is acceptable to the Superintendent, and which contains the required contractual provisions respecting that type of contract; and
- b) a completed and signed *Application for Inclusion on List of Acknowledged Financial Institutions* (Form EP 42/02, attached) which certifies that the "boilerplate" addendum will be used for every Alberta LIRA, LIF and/or LRIF contract that the institution carries.

Once a copy of the addendum for each type of locked-in product is filed and acknowledged by the Superintendent, no further filings are required unless the contractual requirements under the Act & Regulation are changed. This eliminates the need for multiple filings with our office.

The filing procedure with Canada Customs and Revenue Agency (CCRA – formerly Revenue Canada) remains unchanged.

NOTE: The office of the Alberta Superintendent of Financial Institutions is aware that some institutions will want to incorporate the provisions of the “boilerplate” addendum directly into the RSP or RIF contract, or produce an addendum that is multi-jurisdictional. Provided that the wording of the addendum is preserved in the alternative format, our office does not object. For convenience, the office of the Alberta Superintendent of Financial Institutions has produced a Sample Addendum for each type of contract. These sample addenda also have the correct Income Tax Act (Canada) references, as approved by the CCRA.

TRANSITIONAL LIST FOR THE YEAR 2000

A transitional list containing all eligible contracts as at February 29, 2000 has been produced. This list will remain in effect until December 31, 2000. Until the financial institution is acknowledged on the new list, it can only accept transfers of locked-in monies into the contracts appearing on the February 29, 2000 list.

CHANGES AFFECTING ALL LIRAs, LIFs AND LRIFs

Once an institution appears on the new format list (effective March 1, 2000 onward), it will be able to accept funds into any contract registered with the CCRA that has been given the appropriate “L” designation for Alberta.

Certain changes have been introduced that affect LIRAs, LIFs and LRIFs.

- Commutation of small amounts under locked-in benefits must now be permitted.
- Commutation of locked-in benefits due to “non-residency” status is now available, if the locked-in vehicle permits this option.
- Rules respecting the division of locked-in benefits due to marriage breakdown have been modified.

MAXIMUM COMMUTABLE AMOUNTS Regulation s. 45

Please refer to *EPPA Update # 00-05 - Maximum Commutable Amounts* for details on locked-in accounts considered to be too small to provide an adequate amount of retirement income.

NON-RESIDENCY STATUS Regulation s. 39(11)

Please refer to *EPPA Update # 00-06 - Commutation Due to Non-Residency Status* for details regarding commutation of the locked-in funds, where an individual has become a non-resident as defined under the *Income Tax Act* (Canada).

DIVISION AND DISTRIBUTION OF PENSION MONIES HELD IN A LIRA, LIF OR LRIF Regulation s. 42

For the first time, pension benefits standards legislation in Alberta deals with how pensions are to be divided upon breakdown of a spousal relationship and this includes pension benefits in a LIRA, LIF or LRIF.

Division and distribution of pension benefits can occur only where the spouses or former spouses obtain:

- an agreement under the *Matrimonial Property Act*, providing for the division and distribution of a pension benefit, that has been adopted by the Court as a consent order, or
- a similar order enforceable in Alberta of a court outside of Alberta.

**CHANGES SPECIFIC TO LIFE
INCOME FUNDS (LIFs),**
Regulation s. 40

No other form of agreement is acceptable. Further details can be found in the *Alberta Superintendent of Financial Institutions Policy Bulletin #3 - Division and Distribution of Pension Benefits on Marriage Breakdown*.

**CHANGES SPECIFIC TO THE
LOCKED-IN RETIREMENT
INCOME FUNDS (LRIFs),**
Regulation s. 41

A LIF may now *receive* a transfer of funds directly from an LRIF. This is in addition to the current option of a direct transfer of funds from a LIF to an LRIF.

When calculating the maximum allowable withdrawal from an LRIF, if any funds have been transferred into the LRIF from a LIF, the investment income earned in the last complete fiscal year of the LIF, may be included in the calculation. This allows an individual in a LIF who has a significant investment return in one year, to be able to access that investment income by transferring to an LRIF the next year.

For more information please contact:

Alberta Superintendent of Financial Institutions
Alberta Finance
Room 402, 9515 – 107 Street
Edmonton, AB T5K 2C3
Telephone: (780) 427-8322*
Fax: (780) 422-4283

Internet: <http://www.finance.gov.ab.ca/business/pensions>

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

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Alberta Superintendent of
Financial Institutions

APPLICATION FOR INCLUSION ON LIST OF ACKNOWLEDGED FINANCIAL INSTITUTIONS

I hereby apply to have the following financial institution, on its behalf and on the basis of this application (including the certification below) and any endorsements and addendums related thereto, acknowledged under section 38 of the *Employment Pension Plans Regulation* and placed on the Superintendent's list of financial institutions for each type of contract indicated below.

1. Name of Financial Institution: _____
2. Type of Locked-in Contract(s) _____ LIRA _____ LIF _____ LRIF
3. Name of Authorized Signing Officer: _____
4. Title of Authorized Signing Officer: _____
5. Mailing Address: _____
Telephone Number: _____ Fax Number: _____
e-mail Address: _____

I certify that:

A copy of the attached addendum/endorsement will be attached to every contract of the applicable type.

Signature of Authorized Officer signing
on behalf of the Financial Institution

Date

COMMENTS AND INSTRUCTIONS

This form must be completed by the financial institution applying for inclusion on the Superintendent's List of Acknowledged Financial Institutions, and signed by the Authorized Signing Officer. One form may be used to apply for all three (3) types of locked-in products (LIRA, LIF and LRIF).

This application and certification must be accompanied by a specimen copy or copies of the LIRA, LIF and/or LRIF addendum/addenda, as appropriate. Please send this form to:

Alberta Superintendent of Financial Institutions
Alberta Finance
Room 402, 9515 – 107 Street
Edmonton, AB T5K 2C3

