

La Lettre

xpress

Information bulletin on supplemental pension plans

18 December 1998

Calculating the maximum withdrawal from a life income fund in 1999

The Régie des rentes du Québec wishes to inform its clients that the reference rate for calculating the maximum withdrawal from a life income fund in 1999 is 6%.

In future, any change in the rate will be posted on the Régie's Internet site, at the following address:

http://www.rrq.gouv.qc.ca/an/prive/liste_frv.htm#taux

Reminder

For an application for a temporary income to be complete and so that no overpayment is made, the financial institution must, **before paying the temporary income**, ensure that the applicant has filled out the necessary declarations required pursuant to the *Regulation respecting supplemental pension plans*.

Moreover, where sums from a life income fund (LIF) are **transferred during a single fiscal year** to a second LIF, no maximum life or temporary income can be paid from the second fund with respect to the transferred sums. You should inform your clients of the effects of this rule before making a transfer. An exception was made in 1998 and the regulations allowed, under certain conditions, the payment of a maximum income from a second LIF.

Transferring benefits under applicable law

Writers:

Marc Beaupré
Carole d'Amours

When there is a transfer of the value of the vested benefits that a pension plan member has, the plan administrator must ensure that the transfer is made in accordance with the applicable pension plan act and that the transfer instrument is in conformity with the act. Therefore, the plan administrator must tell the financial institution under what act the transfer is made so that the sums transferred will be deposited in an appropriate instrument.

Translator:

K.-Benoît Evans, C.Tr.

Since the coming into force on 1 January 1998 of amendments to the *Regulation respecting supplemental pension plans* that allow the withdrawal of a temporary income from a life income fund, we have noted that many pension plan administrators fail to provide the necessary information to the financial institution. This is not a new problem; it has occurred often in the past.

When the time comes to determine whether a life income fund offered to a member will allow him or her to withdraw a temporary income, the question cannot be answered by determining whether the fund issuer's charter is federal or provincial, where the pension plan is registered or where the member lives.

The main difficulty is identifying life income funds that are subject to federal legislation. The federal act governs the following sectors: rail, air and highway transportation that extends beyond the limits of a single province; maritime transportation; Indian affairs; radio and television; telecommunications; atomic energy; seed, animal feed and flour; chartered banks, and federal Crown corporations.

Where the employment is not subject to the federal legislation, a member is subject to a provincial act on the basis of his or her province of work at the time plan membership ceases. It is important to note that a determination cannot be made on the basis of the pension plan's place of registration since there is an agreement among the provinces that has the effect of delegating supervision of a plan to the province where the plurality of the plan's members work. That province must apply the laws of each province and territory to the plan's members according to their place of work.

It is easy to see that the administrator of the pension plan or financial institution to which a transfer will be made must contact the administrator of the plan from which the transfer will come to find out what legislation to apply. The Régie des rentes du Québec can only be of aid to the extent that it has the needed information.

For more informations,
contact our :

Information Officer

Direction des régimes
de retraite

Régie des rentes du Québec
Case Postale 5200
Québec (Québec)
G1K 7S9

Telephone : (418) 643-8282
Fax : (418) 643-7421

<http://www.rrq.gouv.qc.ca>



(Version originale française disponible sur demande)