



EPPA Update **07-03** **50% Unlocking Cheat-Sheet**

Issued December 2007 / Updated January 2008

This Update is prepared in response to questions that have been posed to the Superintendent's Office about the 50% Unlocking Option on the establishment of a Life Income Fund (LIF).

IMPORTANT: This Update is NOT EXHAUSTIVE and addresses only the MOST COMMON questions the Superintendent's office has received about this provision. Complete information about the 50% Unlocking can be found in [Policy Bulletin #34](#).

This Update is effective January 1, 2008 and does NOT include the *transitional provisions* that applied to LIFs and Locked-in Retirement Income Fund (LRIF) accounts established prior to November 1, 2006, as these products have been discontinued. This Update has no legal authority and the legislation should be used to determine specific requirements.

For whom, and when, does 50% unlocking apply?

In order to qualify for 50% Unlocking, you must at least be 50 years old.

1. If your locked-in funds are still in a pension plan, the 50% Unlocking will only apply if
 - a. you terminate your membership (or retire) from the pension plan, AND
 - b. your pension plan allows you to transfer of locked-in funds out of the pension plan directly into a LIF.
2. If your locked-in funds are in a Locked-In Retirement Account (LIRA), the 50% Unlocking will only apply at the time you convert your LIRA into a LIF.

NOTE: The 50% Unlocking option also applies if you are 50 years old and have received locked-in funds as a result of a death of a pension plan member, or as the result of split of locked-in funds due to marriage breakdown.

The 50% Unlocking option does NOT apply if:

- You are still an active member in your pension plan
- You are receiving a pension from your pension plan, or
- You already have funds in a LIF.

Note: some pension plans do not permit a transfer of locked-in funds out of the plan if you are older than a certain age. Your plan administrator can tell you if this applies in your situation.

Other Important Provisions of 50% Unlocking

- If you opt to start an LIF, you **must** be offered the option to unlock up to 50% of your locked-in funds at the time the LIF is established.
- Once the LIF is established, you cannot go back into a LIRA.
- If you do not use the 50% Unlocking option when it is first available to you, you cannot request the unlocking at a later date.
- You are permitted to withdraw up to 50% of your locked-in funds. For example, you may decide to only unlock 30% of your locked-in funds. (Note: you cannot request the other 20% at a later date).
- If you have a LIRA, whenever you decide to “turn on” your pension (provided you are at least age 50), at that time that the 50% Unlocking provision will be available to you.

What Forms are required?

- **If you have a pension partner** then that person must complete [Form 6, Pension Partner Waiver on Transfer to a LIF, DC RIA or Annuity](#).

A pension partner is someone you are married to (and have not been separated for more than 3 years) or it is a common-law partner of 3 years or more (or less if there is a child as a result of the relationship),

- Option 1 of Part One of that Form permits the 50% Unlocking.
- Option 2 of Part One of that Form permits the establishment of the LIF.
- Part Two of that Form is only to be completed if the pension partner wants to waive his or her right as the automatic beneficiary of the benefits upon the death of the account owner. If the pension partner wishes to remain as the automatic beneficiary, which is the “default” in legislation, then Part Two does not need to be completed.
- **If the individual does not have a pension partner**, no Government of Alberta Forms must be completed.
- If the locked-in account was transferred to the individual as a result of the death of a former pension partner, or in the event of marital breakdown, then any **new** pension partner thereafter does not have to complete the Form.

Frequently Asked Questions

Do I have to apply to the Alberta Superintendent of Pensions for 50% Unlocking?

There is no application through the Superintendent of Pensions' office for the 50% Unlocking, and no forms are submitted to the Superintendent.

Does an individual have to unlock 50% of the account balance or can they unlock less?

An individual does not have to withdraw 50%. You can withdraw less than the 50% limit, or choose not to withdraw any lump sum, but there are no further opportunities to unlock at a later date.

What can be done with the funds that are withdrawn?

The funds can be taken in kind, transferred into a regular bank account (less tax), or transferred into an RRSP or RRIF. Any combination of these options may be chosen.

Can a person unlock 50% without starting a LIF or annuity?

You cannot take advantage of the 50% unlocking provision without starting a LIF.

However, if the withdrawal of 50% leaves the remaining balance in the account at less than 20% the year's maximum pensionable earnings, the account would qualify under the small amount unlocking provisions. In a case such as these, and if you inevitably seek to unlock all of your locked-in funds anyways, it is acceptable to release the remaining balance without first starting a LIF, because forcing the LIF would only create extra administration for you and your financial institution.

For further information please contact:

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