



| | |
|-----------------|---|
| SECTION: | Locked-In Accounts |
| INDEX NO.: | L200-405 |
| TITLE: | 2008 Schedule 1.1 Life Income Fund (LIF) Maximum Annual Income Payment Amount Table |
| APPROVED BY: | Deputy Superintendent, Pensions |
| PUBLISHED: | FSCO website (December 2007) |
| EFFECTIVE DATE: | January 1, 2008 |

Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

This policy describes how to calculate the maximum annual income payment for an Ontario LIF that is subject to the requirements of Schedule 1.1 to the Regulation (Schedule 1.1 LIF). A new policy that provides more detailed information about the Schedule 1.1 LIF and other policies related to locked-in accounts will soon be available on the website of the Financial Services Commission of Ontario's (FSCO) at www.fSCO.gov.on.ca, or may be picked up in person at the reception desk, 4th Floor, 5160 Yonge Street, Toronto, Ontario.

To calculate the maximum annual income amount that can be paid from a LIF that is subject to the requirements of Schedule 1 to the Regulation (Schedule 1 LIF), please see pension policy L200-404.

A Schedule 1.1 LIF may be made available for purchase effective January 1, 2008. A Schedule 1.1 LIF may be purchased with money from a locked-in retirement account (LIRA), a Schedule 1 LIF, another Schedule 1.1 LIF, a locked-in retirement income Fund (LRIF), a registered pension plan or the commuted amount from the unexpired period of a guaranteed annuity purchased with pension related money.

Restrictions on income payments in the initial year of a Schedule 1.1 LIF

For the fiscal year in which a Schedule 1.1 LIF is established, an income payment can only be made from the Schedule 1.1 LIF if it was established with money transferred from a LIRA, a registered pension plan or the commuted amount from a life annuity. If the Schedule 1.1 LIF was established with money transferred from a Schedule 1 LIF, another Schedule 1.1 LIF, or an LRIF, **no income payment can be made from the receiving Schedule 1.1 LIF in the fiscal year of the transfer.**

If no money is left in the transferring LIF or LRIF after the transfer to the Schedule 1.1 LIF, the owner will not be able to be paid any further income amounts from that transferring LIF or LRIF for the remainder of the year. To ensure that the owner receives the maximum income payment for the year of the transfer, the owner should either arrange to receive all of the possible income payments from the transferring LIF or LRIF before transferring money to the receiving Schedule 1.1 LIF, or leave sufficient money in the transferring LIF or LRIF to make any income payments from that LIF or LRIF that have yet to be made for the year of the transfer.

Maximum income payments from a Schedule 1.1 LIF for 2008

As a result of the introduction of the Schedule 1.1 LIF effective January 1, 2008, there are special considerations that must be taken into account in calculating the maximum annual income that can be paid from a Schedule 1.1 LIF in 2008. Since a Schedule 1.1 LIF cannot be purchased prior to January 1, 2008, the first fiscal year of the Schedule 1.1 LIF must begin in 2008. Therefore, for a Schedule 1.1 LIF established with money transferred from a LIRA, registered pension plan or the commuted amount from a guaranteed annuity, the maximum income payment for the 2008 fiscal year must be based solely on the C/F formula which is set out in point 3 in the following section of this policy. The other ways to calculate the maximum income set out in points 1 and 2 in the following section of this policy cannot exist in 2008, as there are no investment earnings in the previous year and income is not being paid out of the receiving fund until the fiscal year following its establishment.

Maximum annual income payments from a Schedule 1.1 LIF

Section 6 of Schedule 1.1 provides that the maximum income amount that may be paid from a Schedule 1.1 LIF for any fiscal year is the **greatest** of the following amounts:

1. The investment earnings, including any unrealized capital gains or losses, of the Schedule 1.1 LIF in the previous fiscal year;
2. If the money in the Schedule 1.1 LIF is derived from money transferred directly from a Schedule 1 LIF or a Schedule 1.1 LIF or an LRIF, and if the income is being paid out of the receiving Schedule 1.1 LIF in the fiscal year following the fiscal year in which the receiving Schedule 1.1 LIF is established, the sum of,
 - (a) the investment earnings, including any unrealized capital gains or losses, of the transferring LIF or LRIF in the previous fiscal year, and
 - (b) the investment earnings, including any unrealized capital gains or losses, of the receiving Schedule 1.1 LIF in the previous year; and
3. The amount calculated using the formula,
$$C/F$$
in which
“C” is the value of the assets in the Schedule 1.1 LIF at the beginning of the fiscal year, and
“F” is the present value, at the beginning of the fiscal year, of an annuity of \$1 payable annually in advance over the period commencing at the beginning of the fiscal year and ending on December 31 of the year in which the owner reaches 90 years of age.

The table at the end of this policy sets out the possible maximum income payment amount under the formula in point 3, above. For the table, the interest rate assumptions used in determining the value of “F” in the formula are:

- (1) 6.00%, which represents the greater of the CANSIM V122487 rate for November 2007 (which is 4.22%) and 6.00%, for the first 15 years, and
- (2) 6.00% for the sixteenth and each subsequent fiscal year.

2008 Maximum Annual Income Payment Amount Table for an Ontario Schedule 1.1 LIF
(Using C/F formula in Section 6 of Schedule 1.1 of the Regulation)

| Age at January 1, 2008 | New Age During 2008 | Years to End of Year Age 90 is Attained | Maximum Payment as a Percentage of the Sch. 1.1 LIF Balance at start of fiscal year* |
|-------------------------------|----------------------------|--|---|
| 40 | 41 | 50 | 5.98531% |
| 41 | 42 | 49 | 6.00600% |
| 42 | 43 | 48 | 6.02808% |
| 43 | 44 | 47 | 6.05167% |
| 44 | 45 | 46 | 6.07687% |
| 45 | 46 | 45 | 6.10382% |
| 46 | 47 | 44 | 6.13265% |
| 47 | 48 | 43 | 6.16350% |
| 48 | 49 | 42 | 6.19655% |
| 49 | 50 | 41 | 6.23197% |
| 50 | 51 | 40 | 6.26996% |
| 51 | 52 | 39 | 6.31073% |
| 52 | 53 | 38 | 6.35454% |
| 53 | 54 | 37 | 6.40164% |
| 54 | 55 | 36 | 6.45234% |
| 55 | 56 | 35 | 6.50697% |
| 56 | 57 | 34 | 6.56589% |
| 57 | 58 | 33 | 6.62952% |
| 58 | 59 | 32 | 6.69833% |
| 59 | 60 | 31 | 6.77285% |
| 60 | 61 | 30 | 6.85367% |
| 61 | 62 | 29 | 6.94147% |
| 62 | 63 | 28 | 7.03703% |
| 63 | 64 | 27 | 7.14124% |
| 64 | 65 | 26 | 7.25513% |
| 65 | 66 | 25 | 7.37988% |
| 66 | 67 | 24 | 7.51689% |
| 67 | 68 | 23 | 7.66778% |
| 68 | 69 | 22 | 7.83449% |
| 69 | 70 | 21 | 8.01930% |

| | | | |
|----|----|----|------------|
| 70 | 71 | 20 | 8.22496% |
| 71 | 72 | 19 | 8.45480% |
| 72 | 73 | 18 | 8.71288% |
| 73 | 74 | 17 | 9.00423% |
| 74 | 75 | 16 | 9.33511% |
| 75 | 76 | 15 | 9.71347% |
| 76 | 77 | 14 | 10.14952% |
| 77 | 78 | 13 | 10.65661% |
| 78 | 79 | 12 | 11.25255% |
| 79 | 80 | 11 | 11.96160% |
| 80 | 81 | 10 | 12.81773% |
| 81 | 82 | 9 | 13.87002% |
| 82 | 83 | 8 | 15.19207% |
| 83 | 84 | 7 | 16.89953% |
| 84 | 85 | 6 | 19.18515% |
| 85 | 86 | 5 | 22.39589% |
| 86 | 87 | 4 | 27.22561% |
| 87 | 88 | 3 | 35.29338% |
| 88 | 89 | 2 | 51.45631% |
| 89 | 90 | 1 | 100.00000% |

* The maximum annual income payment percentage is calculated on the basis of a twelve-month fiscal year to December 31, 2008, using the interest rate assumptions on page 2 of this policy.