

## Office of the Superintendent - Pension Commission

### Update #10-02 Notice to Financial Institutions Changes to Locked-In Vehicles effective May 31, 2010

Issue Date: May 25, 2010

Revised: June 13, 2012

Financial institutions on the Superintendent's List of Financial Institutions offering LIRAs, LIFs and LRIFs should be aware that changes have occurred which will directly impact administration of locked-in retirement savings and benefit plans.

These changes will come into effect May 31, 2010 with the coming into force of *The Pension Benefits Amendment Act* and the Pension Benefits Regulation 39/2010 (the Amendment Act and new regulation respectively).

Effective May 31, 2010 the Superintendent's List of Financial Institutions will be replaced by the **Superintendent's Register of Authorized Financial Institutions** which will include all financial institutions that are authorized to issue and administer LIRAs and LIFs.

***Users of this summary are strongly urged to refer directly to the appropriate sections of the Act and new regulation, as this summary is for information purposes only.***

The Office of the Superintendent – Pension Commission (OSPC) intends to update this information periodically. The OSPC website <http://www.gov.mb.ca/finance/pension/> also provides further information on these changes.

#### **I. LEGISLATIVE REQUIREMENTS**

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The new requirements are generally contained in Divisions 1 and 2 of Part 10 of the new regulation:

- Division 1, Definitions and General Provisions
- Division 2, Transfers to and from LIRAs and LIFs, Locked-in Retirement Accounts, Life Income Funds, Transitional: Locked-in Retirement Income Funds (LRIFs), Transitional: LIRAs and LIFs
- Schedule 1 LIRA Addendum
- Schedule 2 LIF Addendum

#### **Definitions**

The following terms are used frequently in this Bulletin. Their legal definitions in the new regulation should be consulted for greater certainty.

"**addendum**" means the prescribed LIRA addendum or a LIF addendum.

"**former regulation**" means the Pension Benefits Regulation, Manitoba Regulation 188/87 R.

"**LIF contract**" means a contract for a RRIF that includes, as an addendum that forms part of the contract, the addendum set out in Schedule 2 to Division 2 of Part 10, completed in accordance with the instructions set out in that addendum.

"**life annuity contract**" means an agreement with an insurance company for a pension that is not commutable, commences at retirement age and meets the applicable requirements of the Act and the new regulation.

"**LIRA contract**" means a contract for an RRSP that includes, as an addendum that forms part of the contract, the addendum set out in Schedule 1 to Division 2 of Part 10, completed in accordance with the instructions set out in that addendum.

"**LRIF**" means a locked-in retirement income fund that was established under a contract made under the former regulation.

"**new regulation**" means the Pension Benefits Regulation, Manitoba Regulation 39/2010.

"**owner**" in relation to a LIRA, LIF or LRIF means the individual who is identified in the contract as the annuitant or owner.

## **II. SUPERINTENDENT'S REGISTER OF AUTHORIZED FINANCIAL INSTITUTIONS** **s. 10.6 – 10.11 of Division 2 of Part 10**

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Financial institutions currently on the Superintendent's List of Financial Institutions (Superintendent's List) must register to appear on the new Superintendent's Register of Authorized Financial Institutions (Superintendent's Register). **So institutions wishing to register in order to be eligible to sell LIRAs or LIFs that include the addenda must apply to the Superintendent for registration using the application for registration.**

The application for registration can be accessed on the OSPC's website:

[Application for Registration of Financial Institutions](#)

The application for registration should be completed and submitted to the OSPC as soon as the institution is ready to meet the provisions of the new regulations for LIRAs and LIFs. This application will require the financial institution to certify, among other things, that once the institution is registered the required addendum will form a part of every contract it issues.

The required addenda cannot be modified in any materially manner. The OSPC will not review any modifications to the required addenda for purposes of authorizing or consenting to such modifications. However, modifications such as adding logos, pre-filling blanks or customizing signature lines are not considered material.

Applications should be received by the OSPC in timely manner to ensure that the financial institution is on the Superintendent's Register by December 31, 2010. The new Register will be published on May 31, 2010. Institutions filing for registration will be placed on the Register on the later of May 31, 2010 and the date the superintendent registers the institution.

All financial institution whose standard forms of contract for LIFs or LIRAs were approved under the former regulation, immediately before May 31, 2010, are deemed to be registered under

section 10.7 in relation to that type of vehicle until the end of 2010. Further, the former regulation must continue to apply to these LIRA and LIF contracts except for withdrawals or transfers which are explained in further detail in this Update.

Financial institutions that are on the Superintendent's List immediately before May 31, 2010 will remain on the List until they are registered and placed on the Superintendent's Register.

### **III. NEW LOCKED-IN RETIREMENT ACCOUNTS (LIRAs) AND LIFE INCOME FUNDS (LIFs) - REQUIRED ADDENDA TO BE USED – Schedules 1 and 2 of Division 2 of Part 10**

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Financial institutions will no longer be required to file their standard LIRA or LIF addenda with the Superintendent for approval.

The new regulation prescribes the LIRA and LIF addenda that must be attached to each new LIRA or LIF contract issued after the financial institution is included on the Superintendent's Register and authorized to issue and administer LIRAs and LIFs.

***When and only when the institution has applied for registration and appears on the Superintendent's Register, it will be eligible to issue LIRAs or LIFs which must include the required addendum.***

The required addenda are available on the OSPC's website:

[Locked-in Retirement Account \(LIRA\) Addendum To RRSP Contract](#)  
[Life Income Fund \(LIF\) Addendum To RRIF Contract](#)

### **IV. EXISTING LOCKED-IN RETIREMENT ACCOUNTS (LIRAs) AND LIFE INCOME FUNDS (LIFs) TO BE AMENDED – s. 10.47 – 10.49 of Division 2 of Part 10**

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#### **Contracts**

By December 31, 2010:

- account balances under existing LIRAs and LIFs must be transferred to a new LIRA or LIF contract which includes the required addendum, or
- existing LIRAs and LIFs are to be amended by adding the required addendum.

At any time before December 31, 2010, an owner may elect to transfer the account balance in his or her existing LIRA or LIF to another vehicle permitted by the new regulation.

If the owner has not elected a transfer or consented to the amendment by December 31, 2010, the financial institution must take all steps necessary to amend the owners' existing LIRA and LIF to add the required addendum.

By January 15, 2011 financial Institutions will be required to provide the Superintendent with a list of all those LIRA and LIF contracts and their owners that as of January 1, 2011 do not have the required addendum.

## Administration

There are significant changes to the provisions for LIRAs and LIFs under the new regulation that will affect the administration of these vehicles. We strongly recommend financial institutions carefully review Divisions 1 and 2 of Part 10 and the required addenda, to ensure administrative compliance.

Until a transfer to a new LIRA or LIF contract which includes the required addendum, or amendment to add the required addendum has taken place, the former regulation must continue to apply to the existing LIRA and LIF contracts.

However, transfers to another vehicle permitted by the new regulation and withdrawals for non-residency, withdrawals from small LIRAs and LIF, and withdrawals on shortened life expectancy, *do apply* to existing LIRA and LIF contracts.

If the account balance of the existing LIF is transferred to a new LIF contract before the end of the year, the retirement income payments being made under the existing LIF before the transfer are to continue to be made under the new LIF contract for the remainder of the year. The new LIF maximum does not apply until a new maximum is calculated at the beginning of the 2011 fiscal year.

Forms referenced in the new regulation as being “in the form and manner approved by the superintendent” will be published by the OSPC shortly. Other forms such as request or application forms must be developed by financial institutions.

## **V. LOCKED-IN RETIREMENT INCOME FUND (LRIF) TO BE DISCONTINUED s. 10.45 – 10.46 of Division 2 of Part 10**

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### Contracts

By December 31, 2010 at the latest, existing LRIFs are to be:

- converted to new LIF contracts which include the required addendum, or
- transferred to another financial institution that agrees to ensure that the LRIF is converted to a new LIF contract by December 31, 2010.

As of May 31, 2010, no transfers can be made to an LRIF contract except when the account balance under an existing LRIF is transferred to another LRIF contract. Therefore, with the exception of an LRIF to LRIF transfer, no new LRIF contracts may be issued.

At any time before December 31, 2010, a LRIF owner may elect to transfer the account balance in his or her existing LRIF to another vehicle permitted by the new regulation.

If the owner has not elected to make a transfer or consented to the conversion by December 31, 2010, the financial institution must take all steps necessary to convert the existing LRIF to a new LIF contract which includes the required addendum.

By January 15, 2011 financial Institutions will be required to provide the Superintendent with a list of all those LRIF contract and their owners that as of January 1, 2011 remain in existence.

## Administration

If the account balance of the existing LRIF is transferred to a new LIF contract which includes the required addendum before the end of the year, the retirement income payments being made under the existing LRIF before the transfer are to continue to be made under the new LIF contract for the remainder of the year. The new LIF maximum does not apply until a new maximum is calculated at the beginning of the 2011 fiscal year.

Until a conversion to a new LIF contract which includes the required addendum or transfer to another vehicle permitted by the new regulation has taken place, the former regulation must continue to apply to the existing LRIF contracts.

Except for withdrawals by non-residents however, the new regulation for withdrawals from small LIRAs, LIF and LRIFs, and withdrawals on shortened life expectancy, *do apply* to existing LRIF contracts.

An LRIF owner wishing to withdraw his or her LRIF account balance due to non-residency would be required to convert to a new LIF contract which includes the required addendum.

## VI. COMMUNICATION TO OWNERS OF EXISTING LIRAS / LIFS / LRIFS

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LRIF owners must be told that their product is being discontinued and that their contracts must be converted to a new LIF contract or transferred to another vehicle permitted by the new regulation no later than December 31, 2010.

LIRA and LIF owners must be told that their product is being changed and that their funds must be amended no later than December 31, 2010, unless they choose to transfer to another vehicle permitted by the new regulation before that date.

If you have any questions regarding this update you may contact us at:

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*This update has no legal authority. The Pension Benefits Act of Manitoba and the Pension Benefits Regulation should be used to determine specific requirements.*