



REFERENCE DOCUMENT

REGULATED RETIREMENT PRODUCTS FOR DC PLAN MEMBERS

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Introduction

As members of defined contribution (DC) pension plans approach the payout phase, they must make decisions regarding their retirement benefits. Different financial products are available for members to transfer their pension assets into upon termination of their participation in the pension plan (e.g. retirement). These products have different features which may impact the level of the member's benefits and/or access to funds.

This Reference Document is intended to provide general descriptions and information on the features of the various regulated retirement products available to DC plan members with respect to the payout phase.

Background

DC pension plan administrators are responsible for providing plan members with various information and documentation to assist them in making informed decisions. Each jurisdiction in Canada has specific legislative requirements for the information to be provided to a member on cessation of membership.

Guidance on the plan administrator's responsibilities and the type of information to be provided are detailed in [*CAPSA Guideline No. 8: Defined Contribution Pension Plans Guideline*](#), which supplement requirements detailed in [*CAPSA Guideline No. 3: Guidelines for Capital Accumulation Plans*](#).

Upon a member's termination from a plan (e.g. retirement), certain information should be promptly provided to the plan member. Section 7.2 of the CAP Guidelines outlines the type of information to be communicated to members, including:

- Options available to the member;
- Any actions the member must take;
- Any deadlines for member action;
- Any default options that may be applied if no action is taken; and
- The impact that the termination of plan membership will have on each investment option.

Section 4.1 of the DC Plans Guideline states that among the "options available to the member", plan administrators should provide information regarding all of the regulated retirement products available to members with respect to the payout phase. Additionally, members should be provided with information regarding any unlocking options which may be available at the time of retirement.

Before making an election, members should consider obtaining qualified investment advice in addition to using any information provided by the plan administrator.

Regulated Retirement Products

For reference by plan administrators and plan members, the following is a non-exhaustive list of regulated retirement products available in various jurisdictions in Canada. It should be noted that the products and the list are subject to change, and their availability depends on the legislative provisions of each jurisdiction.

1) Locked-in Retirement Accounts (LIRA) / Locked-in Registered Retirement Savings Plans (Locked-in RRSP)

A LIRA is also known as a Locked-in RRSP. Money in a LIRA is to be invested for the purpose of purchasing a life annuity contract or transferring it to another vehicle that provides retirement income. A LIRA cannot be withdrawn or transferred except as permitted by the applicable legislation.

A LIRA is similar to an RRSP in that it is an accumulation plan. Members would transfer their locked-in money from a DC pension plan into a LIRA if they do not want to receive retirement income yet, or are not allowed to commence retirement income yet under the rules of the applicable legislation.

A LIRA is distinct from an RRSP in that the locking-in rules under pension standards legislation apply to a LIRA. In addition, pension standards legislation may impose other requirements, such as spousal¹ rights and creditor protection, which will vary by jurisdiction.

2) Locked-In Retirement Income Funds (LRIF) and Life Income Funds (LIF)

LRIFs and LIFs are locked-in registered retirement income funds (RRIF). Under an LRIF or LIF, the money is locked-in and may be used only to provide retirement income. An LRIF or LIF owner may determine their annual income from the LRIF or LIF, but it cannot be less than the minimum required by the Income Tax Act (ITA) or more than the maximum permitted by applicable pension standards legislation. Depending on the jurisdiction, LRIFs or LIFs may have a minimum starting age.

Money in an LRIF or LIF may be transferred to other registered vehicles or used to buy a life annuity contract. The money can remain in an LRIF or LIF for the lifetime of the LRIF or LIF owner. However, some jurisdictions require that all remaining assets in a LIF be used to buy a life annuity contract on Dec 31st of the year the owner reaches a certain age.

2.1) Restricted LIF (RLIF)

An RLIF is a LIF that has been established in some jurisdictions to accommodate a one-time unlocking option of up to 50% of the value of the RLIF at age 55 or over.

3) Prescribed Registered Retirement Income Funds (pRRIF)

A pRRIF is a RRIF subject to certain pension standards legislation. Under a pRRIF, the money is not locked-in so the pRRIF owner must withdraw the minimum amount required under the ITA but there is no maximum withdrawal amount. This provides retirees with flexibility in determining how much income is withdrawn annually and how the money is invested.

4) Variable Benefits

Some jurisdictions permit variable benefits. A variable benefit is a retirement option paid directly from a DC plan. It provides retirees with flexibility in determining how much income is withdrawn annually and how the money is invested. Pension standards legislation may impose additional rules on the variable benefit.

¹ Spouse, depending on jurisdiction, includes cohabiting common-law partners.

5) Life Annuity Contract

A life annuity contract provides a series of payments in return for a lump sum paid up front. A lump sum of money is transferred directly from a pension plan, LIRA, LIF, LRIF, pRRIF or variable benefit account to a life insurance company to purchase an annuity. In return, the issuer pays the member an annuity on a regular basis (monthly, quarterly, semiannually, or annually) for the remainder of the member's life.

Pension standards legislation requires that the annuity be a joint survivor annuity if there is a spouse at the time the annuity is purchased. The exception to this is where the spouse waives his or her right to the survivor benefit under the annuity.

Supplementary Information

The following tables are intended to provide an illustration of the information plan administrators should consider providing to members who are approaching the payout phase, regarding each type of retirement product. 'Table A' provides general information on the products. 'Table B' provides a comparison of various key features of each product. As noted above, the products and their features are subject to change and their availability depends on the legislative provisions of each jurisdiction.

Table A: General Information on Retirement Products for Members

This table provides a sample of the principal information plan administrators should consider providing to members regarding each type of retirement product.

| Information Plan Administrators Should Provide to Members | Locked-in Retirement Account (LIRA) or Locked-in Registered Retirement Savings Plan (Locked-in RRSP) | Locked-In Retirement Income Fund (LRIF), Life Income Fund (LIF) or Restricted LIF (RLIF) | Prescribed Registered Retirement Income Fund (pRRIF) | Variable Benefit | Life Annuity Contract |
|---|--|--|--|------------------|-----------------------|
| Explanation of the retirement product. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Where and how the retirement product can be purchased (or set up). | ✓ | ✓ | ✓ | ✓ | ✓ |
| Any restrictions on allowable investments. | ✓ | ✓ | ✓ | ✓ | |
| Explanation of the rules found in the ITA which apply to the retirement product. | ✓ | ✓ | ✓ | ✓ | |
| Formula for determining the maximum amount that can be taken out each year. | | ✓ | | ✓ | |
| Explanation of any unlocking rules which will apply once the money is transferred to the retirement product. ¹ | ✓ | ✓ | | ✓ | |
| Options related to the naming of a beneficiary. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Disposition of assets option upon death. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Spousal rights and protection. ² | ✓ | ✓ | ✓ | ✓ | ✓ |
| Creditor protection. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Transfer options available. | ✓ | ✓ | ✓ | ✓ | |

1. For example, some jurisdictions allow unlocking for financial hardship, small amounts, shortened life expectancy and non-residents of Canada.

2. Spousal consent or waiver may be required for some or all types of retirement product.

Table B: General Features of Retirement Products for Members

This table provides a sample comparison of the various product features plan administrators should consider describing to members, regarding each type of retirement product.

| General Features of Retirement Products | Locked-in Retirement Account (LIRA) or Locked-in Registered Retirement Savings Plan (Locked-in RRSP) | Locked-In Retirement Income Fund (LRIF), Life Income Fund (LIF) or Restricted LIF (RLIF) | Prescribed Registered Retirement Income Fund (pRRIF) | Variable Benefit | Life Annuity Contract |
|---|--|--|--|------------------|-----------------------|
| Assets remain tax sheltered until taken/received as income. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Income is predictable and guaranteed for member's lifetime. May also be guaranteed for spouse's lifetime, depending on the type of annuity. | | | | | ✓ |
| Owner assumes the investment risk. | ✓ | ✓ | ✓ | ✓ | |
| Protections under pension law which apply to the retirement product and not to other products which are not regulated under pension law. For example, spousal rights. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Owner controls the investment of the assets. | ✓ | ✓ | ✓ | ✓ | |
| Flexibility means that the payouts each year can be structured to meet the owner's needs subject to minimums and maximums in certain products. | | ✓ | ✓ | ✓ | |
| Value/income may fluctuate as fund value fluctuates depending on investments. | ✓ | ✓ | ✓ | ✓ | |