

## Office of the Superintendent - Pension Commission

### Policy Bulletin #1

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### Locked-In Retirement Account (LIRA)

**Reference:** The Pension Benefits Act Sections 21(13), 26(26.2) and 31(4)(b), and the Pension Benefits Regulation Divisions 1 and 2, Part 10

#### Locked-In Retirement Account

The Locked-in Retirement Account or "LIRA" is a Registered Retirement Savings Plan (RRSP) that is subject to the provisions in The Pension Benefits Act (Act) and Pension Benefits Regulation (regulation). The LIRA is designed only for holding and investing Manitoba locked-in money transferred from a pension plan until it is transferred to another vehicle permitted under the regulation to provide retirement income at any age.

#### Who qualifies?

Manitoba locked-in money may be transferred to a LIRA by

- a member of a defined contribution pension plan (DC Plan) who ceases to be an active member, or who has a Variable Benefit account under the plan;
- a member of a defined benefit pension (DB Plan) plan who ceases to be an active member before reaching the early retirement age stated in the member's pension plan;
- a member of a DB Plan who ceases to be an active member after reaching the early retirement age stated in the member's pension plan, if the plan permits;
- the spouse or common-law partner on breakdown of a marriage or common-law relationship;
- the spouse or common-law partner on death of the member;
- the owner of another LIRA or a Life Income Fund (LIF); or
- a member of a pooled registered pension plan (PRPP).

#### LIRA requirements

Subject to those exceptions outlined in this bulletin under "Exceptions to the Locking-in rule", money in a LIRA cannot be withdrawn as cash unless you have attained age 65. Instead, the LIRA account balance can be transferred at any time but no later than the end of the year in which the LIRA owner attains age 71 to another vehicle permitted under the regulation to be used for retirement purposes.

#### Registration of Financial Institutions

A transfer of Manitoba locked-in money to a LIRA can be made only if the financial institution issuing the LIRA has been registered by the Superintendent.

Registration involves

- a. applying to the Superintendent for registration; and
- b. receiving notification in writing that the Superintendent has registered the financial institution in relation to the LIRA and placed it on the Superintendent's Register of Authorized Financial Institutions.

The Superintendent may revoke registration if the financial institution fails to comply with any provision of the Act or regulation.

### **Superintendent's Register of Authorized Institutions**

The Superintendent's Register of Authorized Institutions (Superintendent's Register) is available at [www.gov.mb.ca/finance/pension/pdf/suptregister.pdf](http://www.gov.mb.ca/finance/pension/pdf/suptregister.pdf).

### **Member-owner**

A member owner is someone who ceased to be an active member of a pension plan while employed in Manitoba, and some or all of the money in their LIRA is attributable, directly or indirectly, to the pension benefit credit that they earned as a member of the pension plan.

### **Transfers to LIRAs**

Money can only be transferred to a LIRA from

- another LIRA or LIF;
- a pension plan (if the plan permits); or
- a PRPP.

The financial institution or administrator making the transfer to the LIRA must advise the financial institution receiving the money, in writing, that the money is Manitoba locked-in money.

### **Transfers from LIRAs**

Money can only be transferred from a LIRA to

- another LIRA or LIF;
- a pension plan (if the plan permits);
- an insurance company to purchase a life annuity contract; or
- a PRPP (if the plan permits)

If permitted under the terms of a DC Plan, generally means the DC Plan permits an owner to transfer their LIRA funds to the DC Plan, which administers it as a "locked-in" additional voluntary contribution.

If permitted under the terms of a DB Plan, generally means the DB Plan permits an owner to transfer their LIRA funds to the DB Plan to be administered as a "locked-in" additional voluntary contribution or used for purposes of purchasing pensionable service under that DB Plan.

If the LIRA funds will be used to buyback pensionable service under the DB Plan, all the conditions precedent to transfer set out in subsection 10.21 of the regulation continue to apply to the administrator of the LIRA, with one exception. Rather than the administrator of the LIRA obtaining written confirmation from the administrator of the DB Plan that the transferred amount will be administered as Manitoba locked-in money, the administrator would instead obtain written confirmation from the administrator of the DB Plan that the transferred amount will be used to buyback pensionable service under the DB Plan and provide the owner with a pension, retirement income or annuity in accordance with the terms of the DB Plan.

The financial institution making the transfer must

- advise the administrator, financial institution or insurance company receiving the money, in writing, that the money is Manitoba locked-in money; and
- provide a copy of any waiver or consent by the member-owner and spouse or common-law partner that has not been revoked to the administrator, financial institution or insurance company receiving the money.

### **Joint Pension Waiver Form Required**

If a LIRA member-owner has a spouse or common-law partner at retirement, the spouse or common-law partner is entitled to a joint pension on the member-owner's death that must be at least 60% of the pension that was payable to the member-owner.

The spouse or common-law partner may waive their entitlement to the joint pension after receiving prescribed information, completing [Form 5A - Waiver of 60% Joint Pension Entitlement for Pension Plan or Locked-in Retirement Account](#) according to section 10.22 of Division 2 of Part 10 of the regulation, and filing the waiver with the administrator. The waiver is required when the LIRA member-owner elects to transfer money in their LIRA to

- a LIF;
- a pension plan to provide a pension that is not a joint pension or is a joint pension that reduces to less than 60% on the member-owner's death; or
- a life insurance company to purchase a life annuity that is not a joint pension or is a joint pension that reduces to less than 60% on the member-owner's death.

### **Death benefit**

When a member-owner dies before retirement, the spouse or common-law partner is entitled to the LIRA account balance. Where there is no spouse or common-law partner, the account balance must be paid to the beneficiary, or where no beneficiary exists, to the owner's estate.

A spouse or common-law partner may, before or after the LIRA member-owner's death, waive their entitlement or potential entitlement to the death benefit after receiving prescribed information, completing [Form 2 - Waiver of Survivor or Death Benefit](#) according to section 10.25 of Division 2 of Part 10 of the regulation, and filing the waiver with the administrator.

A death benefit waiver may be revoked by the LIRA member-owner and their spouse or common-law partner by signing a joint revocation and filing it with the financial institution.

If the LIRA owner is a former or surviving spouse or common-law partner of a plan member, the LIRA account balance must be paid to the designated beneficiary, or estate, in a lump sum.

## Breakdown of a Marriage or Common-law Relationship

Upon breakdown of the marriage or common-law relationship of a LIRA member-owner, the spouse, former spouse or common-law partner will be entitled to receive an amount from the LIRA that cannot exceed 50% of the pension benefit credit earned during the period of the relationship. The spouse, former spouse or common-law partner may transfer their share of the LIRA to their own LIRA or LIF, to an insurance company to purchase a life annuity or pension plan (if the plan permits) or a PRPP.

See [Policy Bulletin # 5 – Pension Benefit Division](#) for further information.

## Exceptions to the locking-in rule

See [Policy Bulletin #4 - Withdrawal or Unlocking of LIRAs and LIFs](#) for further information on Small Amounts, Shortened Life Expectancy, Non-Residency, Full Unlocking and Financial Hardship.

### Small Amounts

The owner of a small LIRA can withdraw the entire balance. Section 10.65 of Division 6 of Part 10 of the regulation sets out rules for determining whether a locked-in account is small. These rules are based on a percentage of the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan.

**NOTE:** There are no forms required under the Act and regulation, i.e. consent or waiver, for withdrawing small LIRAs and LIFs (locked-in accounts).

If the total of the balances of all the owner's locked-in accounts is considered small under the regulation, the owner is entitled to withdraw the entire balance of those accounts. An owner's locked-in account is small if the total of

- a) the balances of all the owner's locked-in accounts; and
- b) if the owner is less than 65 years old, interest on those balances, calculated and compounded annually at the rate of 6% per annum from December 31 of the year in which the application is filed to the end of the year in which the owner turns 65 years of age;

is less than 40% of the YMPE for the year in which the owner applied for the withdrawal (**small amount limit**) (\$24,640.00 for 2021).

### Shortened Life Expectancy

A LIRA owner who has a terminal illness or disability resulting in a shortened life expectancy might be entitled to withdraw all or any part of the balance of their locked-in account. Sections 10.68 to 10.70 of Division 7 of Part 10 of the regulation set out rules for determining whether they may make the withdrawal. "**Shortened life expectancy**" means a life expectancy that has been shortened by reason of a terminal illness or disability to less than two years.

## **Non-Residency**

If a LIRA owner satisfies Canada Revenue Agency (CRA) that, under the Income Tax Act (Canada), he or she is no longer a resident of Canada, and has had that status for at least two years, the owner might be entitled to withdraw the balance of their account under subsection 21.1(3) of the Act, if the contract permits. Sections 10.60 to 10.62 of Division 5 of Part 10 of the regulation set out rules for determining whether he or she may make the withdrawal.

Proof of non-residency may be requested from CRA by completing and filing Form NR73 – Determination of Residency Status (Leaving Canada) with CRA. This form can be obtained from CRA's website at [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-2221.

## **One-Time 50% Transfer**

**NOTE:** An application for a one-time transfer may only be made once in a lifetime and with Manitoba locked-in money.

A LIRA owner who is at least age 55 may apply for a one-time transfer under section 21.4 of the Act and Division 4 of Part 10 of the regulation, which is defined under the regulation as a “onetime transfer”, of an amount up to 50% of the balance in one or more of their LIRAs, LIFs or locked-in pension benefit credits under a pension plan to a Registered Retirement Income Fund (RRIF) as defined in the Income Tax Act (Canada), the contract for which meets the requirements of the regulation (“prescribed RRIF”).

See [Policy Bulletin #3 - One-time 50% Transfer \(Unlocking\) From Locked-in Retirement Accounts, Life Income Funds and Pension Plans](#) for further information

## **Full Unlocking (100%)**

A LIRA owner who is at least 65 years old may apply under section 21.3.1 of the Act and Division 11 of Part 10 of the regulation to unlock the balance in one or more of their LIRAs or LIFs. The unlocked funds may be withdrawn as a taxable benefit or be transferred to a RRSP or RRIF if permitted under the Income Tax Act (Canada).

## **Financial Hardship**

A LIRA owner may apply under section 21.3.2 of the Act and Division 12 of Part 10 of the regulation to withdraw all or part of their funds due to financial hardship under certain financial hardship conditions. Only one application per calendar year can be made under each financial hardship condition. The four conditions are:

1. Low expected income
2. Medical expenses
3. Rental arrears
4. Mortgage arrears

See [Policy Bulletin 14 – Financial Hardship Withdrawals from Locked-in Retirement Accounts \(LIRAs\) and Life Income Funds \(LIFs\)](#) for further information.

## **Maintenance Enforcement**

The garnishment of Manitoba locked-in money held in locked-in accounts by a Designated Officer of the Maintenance Enforcement Program of Manitoba Justice is permitted by sections 14.1 to 14.3 of The Garnishment Act of Manitoba and section 31.1 of the Act. Division 9 of Part 10 of the regulation sets out additional rules for garnishment.

See [Policy Bulletin #11 - Maintenance Enforcement - Garnishment of Pension Benefit Credits](#), for further information.

## **Protection of LIRA Money**

The LIRA cannot be assigned, charged or anticipated, and is exempt from seizure or attachment by creditors. As a result the money cannot be used as collateral for a loan, or used to pay off debts of any kind.

## **Gender Basis**

The financial institution shall not offer or permit different options or benefits to be available based on the gender of the LIRA owner.

## **Liability**

The financial institution is liable to provide an amount equal to the value of any Manitoba locked-in money that is incorrectly paid or transferred.

For more information please contact:

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