

Office of the Superintendent - Pension Commission

Policy Bulletin #2

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Life Income Fund

Reference: The Pension Benefits Act Sections 21(13.1) and 31(4), and the Pension Benefits Regulation Division 1 and 2, Part 10

Life Income Fund

The Life Income Fund or “LIF” is a Registered Retirement Income Fund (RRIF) that is subject to the provisions in The Pension Benefits Act (Act) and Pension Benefits Regulation (regulation). The LIF is designed only for holding and investing Manitoba locked-in money and for providing the LIF owner with retirement income at any age.

Who qualifies?

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

- a member of a defined contribution pension plan who ceases to be an active member on or after reaching the early retirement age stated in the member’s pension plan, or who has a Variable Benefit (VB) account under the plan;
- a member of a defined benefit pension plan who ceases to be an active member on or 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 LIF or a Locked-in Retirement Account (LIRA); or
- a member of a pooled registered pension plan (PRPP).

LIF requirements

Subject to those exceptions outlined in this bulletin under “Exceptions to the Locking-in rule”, money in a LIF cannot be withdrawn in cash or transferred to a Registered Retirement Savings Plan (RRSP) or RRIF if allowed under the Income Tax Act (Canada) unless you have attained at age 65. Instead, the LIF account balance must be used to provide the owner with retirement income.

Registration of Financial Institutions

A transfer of Manitoba locked-in money to a LIF can be made only if the financial institution issuing the LIF 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 institution in relation to the LIF 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 on our website at: https://www.manitoba.ca/asset_library/en/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 LIF is attributable, directly or indirectly, to the pension benefit credit that he or she earned as a member of the pension plan.

Transfers to LIFs

Money can only be transferred to a LIF from

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

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

Transfers from LIFs

Money can only be transferred from a LIF to

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

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, institution or insurance company receiving the money.

NOTE: When a LIF owner requests a transfer from one LIF to a new LIF during a given calendar year, in the year of transfer you will continue to be paid amounts that you were being paid for that year under the other LIF, except to the extent that the Income Tax Act (Canada) requires the payment of the minimum withdrawal amount prior to the transfer.

Section 10.39 of the regulation requires that when a transfer is made from a LIF (transferor LIF) to another LIF (transferee LIF) that the administrator of the LIF from which the transfer is made must notify the transferee in writing of the amount that the owner chose to receive as retirement income from the LIF in that year and the amount paid to the owner to the date of transfer.

Minimum not paid at time of transfer request

If the LIF minimum has not been paid from a LIF prior to the transfer request, the transferor LIF administrator must make a payment to the LIF owner, prior to the transfer, equal to the difference between the LIF minimum and the amount paid to the LIF owner that year. The payments made by the transferee LIF administrator must be adjusted to take into account the additional minimum payment paid from the LIF prior to the transfer.

Minimum paid at time of transfer request

If the LIF minimum has been paid from the LIF prior to the transfer, monthly payments by the transferee LIF will continue in the same amount as those that were being paid by the transferor LIF.

Transfer of LIF to one or more LIF's

Where the owner elects to transfer the funds to two or more LIF's the payments to be paid by each transferee financial institution will be pro-rated based on the percentage of the funds transferred.

Transfer of LIF to a LIF and insurance company

Where the owner elects to transfer part of the account balance to a LIF and part to an insurance company to purchase an annuity, the LIF payment to be paid by the transferee LIF will be pro-rated based on the percentage of the funds transferred to the transferee LIF, and will continue to be paid from the transferee LIF only. Payments will not continue in respect of the portion transferred to the insurance company.

Variable Income

Upon transferring pension funds to a LIF at retirement, an individual will receive an adjustable flow of retirement income, subject to an annual minimum and maximum withdrawal amount. The withdrawal range is calculated so that there is enough money in the fund to ensure that the individual receives an income for their lifetime. It is important to note that many of the rules that apply to RRIFs also apply to the LIF.

Minimum Income

In the first year of the LIF, the LIF owner is not required to receive a minimum amount unless the amount transferred to the LIF was transferred from another LIF. The minimum withdrawal an individual must take from the LIF in any given year is determined according to the minimum withdrawal formula for RRIFs under the Income Tax Act (Canada).

Maximum Income

The maximum annual income that can now be taken from the LIF each year determined according to subsection 18(2) of the LIF addendum, is equal to the greater of:

- (a) the amount determined in accordance with the following formula:

$$\text{Maximum Amount} = F \times (B + T)$$

In this formula:

- F is the factor (from Schedule 2 to Division 2) that corresponds to the reference rate for the year and the LIF owner's age at the end of the immediately preceding year;
- B is the balance of the LIF at the beginning of the year;
- T is the total of all amounts transferred to the LIF in the year, other than amounts transferred directly or indirectly from another LIF, PRPP or a VB account.

- (b) the total of

- (i) the income and gains, net of losses, earned in the LIF in the immediately preceding year; and
- (ii) 6% of all amounts transferred to the LIF during the current year, other than amounts transferred directly or indirectly from another LIF, PRPP or a VB account.

The reference rate for a year means the greater of 6% and the percentage determined for the year by

- (a) adding 0.5% to the average yield as at November 30 of the immediately preceding year, as published by the Bank of Canada in the Bank of Canada Review and expressed as a percentage, for Government of Canada long-term bonds identified as CANSIM series no. V122487; and
- (b) converting the rate determined under clause (a), based on semi-annual compounding of interest, to an effective annual rate of interest, and rounding it to the nearest multiple of 0.5%.

Note: the income and gains, net of losses earned in the LIF in the immediately preceding year is determined as:

- (a) the LIF owner's account balance at January 1 of the year of calculation;

- (b) minus the LIF owner's account balance at January 1 of the preceding year adjusted for any withdrawals and transfers to a LIF, pension plan, PRPP or to purchase an annuity during the year;
- (c) plus the income paid to the owner in the previous year,

which cannot be less than zero.

Section 10.43 of Division 2 of Part 10 of the regulation requires the administrator or financial institution that transferred the money to provide a statement to the owner that sets out the information needed to calculate the maximum income that can be taken from the LIF in the year following the transfer.

Example 1 – One Year Period

ASSUMPTIONS

Individual's age 64
 Fund balance on January 1 of current year \$150,000
 Investment income earned in previous year \$10,000
 Reference rate 6%

MINIMUM

Minimum = minimum amount set for a RRIF by Canada Revenue Agency (CRA). The following formula applies for those 70 and under. For those 71 and older, see CRA's Table of Factors.

$$\text{Minimum} = \frac{\text{Value of RRIF}}{(90-64)} = \frac{\$150,000}{26} = \$5,769.23$$

MAXIMUM = Greater of:

(a) the formula: $M = F \times (B + T)$

M is the maximum amount

F is the factor (from the table at the end of the LIF addendum) that corresponds to the reference rate for the Year and LIF owner age at the end of the immediately preceding year

B is the balance of the LIF at the beginning of the year,

T is the total of all amounts transferred to the LIF in the year (new money transferred into the LIF), other than amounts transferred directly or indirectly from another LIF, PRPP or a VB account

(b) the total of

(i) the income and gains, net of losses, earned in the LIF in the immediately preceding year, and

(ii) 6% of all amounts transferred to the LIF during the current year (new money transferred into the LIF), other than amounts transferred directly or indirectly from another LIF, PRPP or a VB account.

Maximum = (a) $M = F \times (B + T) = 0.071 \times (\$150,000 + 0) = \$10,650$

(b) (i) + (ii) = $\$10,000 + 0 = \$10,000$

Greater of (a) and (b) = \$10,650

Example 2 – Multi-Year Period

When the rate of return is guaranteed for a multi-year period, the LIF statement provided to the owner for the first year of the period must include the maximum annual income that may be paid to the owner in the current year and in each subsequent year of the multi-year period.

If the owner's written notice for the first year of the multi-year period specifies the total amount of income to be paid by the financial institution in each year of the multi-year period, the maximum annual income under subsection 18(3) of the LIF addendum applies only to the year or years during the multi-year period in which the rate of return is guaranteed for each full year during that period.

For example, if the investment period or term is from June 2011 to June 2016, the maximum calculated according to section 18 of the LIF addendum is as follows:

- in 2011 is based on subsection 18(2),
- in 2012-2015 is based on subsection 18(3), and
- in 2016 is based on subsection 18(2).

If the money in the owner's LIF is invested in both guaranteed investments and market based investments, as the rate of return of the entire LIF is not guaranteed, the maximum annual income under subsection 18(2) of the LIF addendum would apply rather than the maximum under subsection 18(3)

ASSUMPTIONS

The reference rate is 6%. The maximum amount in year 1 is \$10,650. The LIF balance on January 1 of the 1st year is \$150,000 and the LIF balance on January 1 of the 2nd year is \$153,285.

MAXIMUM

Maximum amount = $M \times B_1/B_2$

$$M = \$10,650$$

$$B_1 = \$153,285$$

$$B_2 = (\$150,000 - \$10,650 = \$139,350) + (\$139,350 \times .06 = \$8,361) = \$147,711$$

$$\text{Maximum amount} = \$10,650 \times \$153,285/\$147,711 = \$11,051.89$$

Death benefit

When a member-owner dies before retirement, the spouse or common-law partner is entitled to the LIF 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 LIF 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 10.40 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 LIF member-owner and their spouse or common-law partner by signing a joint revocation and filing it with the financial institution.

If the LIF owner is a former or surviving spouse or common-law partner of a plan member, the LIF 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 LIF member-owner, the spouse, former spouse or common-law partner will be entitled to receive an amount from the LIF that is not more than 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 LIF 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 LIF can withdraw the entire balance. Section 10.65 of Division 6 of Part 10 of the regulation sets out rules for determining whether a LIRA or LIF 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 per cent 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**) (\$27,400.00 for 2024).

Shortened Life Expectancy

A LIF 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 LIF owner satisfies Canada Revenue Agency (CRA) that, under the Income Tax Act (Canada), they are 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 they 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 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 LIF 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 “one-time 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 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 LIF 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 – 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 LIF money

The LIF 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 LIF 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.