



October 6, 2020

TO: Government of Newfoundland and Labrador

RE: ACPM response to unlocking questionnaire

QUESTIONNAIRE

1. Should the provincial government introduce legislative amendments to the **Pension Benefits Act, 1997** to facilitate pension unlocking for financial hardship (Please indicate only one – If you respond no, please proceed directly to question 8)

Yes [But please refer to the attached *ACPM Policy – Locking-In of RPP Funds of June 27, 2018* for further clarity as we believe this should not be an unfettered right – especially in the context of defined benefit registered pension plans in respect of which any unlocking should only be if the sponsors to such plan amend the plan to permit any unlocking]

No – please explain _____

Unsure – please explain _____

2. What financial hardships should be eligible for unlocking? (Please indicate all that you recommend)

Inability to pay residential rent

Inability to make mortgage payment

Medical costs

Disability-related costs

Other (please identify hardship(s)):

While unlocking under financial hardship conditions would be contrary to our general principle of funds remaining locked-in until retirement age, we understand that there may be a policy rationale for offering this exception and that other jurisdictions (*e.g.*, Alberta, BC, Ontario, and NS) permit unlocking due to financial hardship. Therefore, this change would provide harmony with other jurisdictions, which would be supported by ACPM.

3. What types of locked-in accounts should be eligible for these unlocking provisions? (Please indicate all that you recommend)

Locked-In Retirement Account (LIRA)

Life Income Fund (LIF) and Locked-in Retirement Income Fund (LRIF)

Other (please identify):

For greater clarity please see our *ACPM Policy – Locking-In of RPP Funds* of June 27, 2018. In particular, we strongly recommend that the ability to unlock due to financial hardship should be permissive as it related to defined benefit registered pension plans (*i.e.*, unlocking should only be if the sponsors to such plan amend the plan to permit any unlocking).

4. How often should an individual be allowed to unlock for financial hardship? (Please indicate only one)

Once a year

Once a lifetime

Other (Please explain) please see the enclosed *ACPM Policy – Locking-In of RPP Funds* of June 27, 2018 – it should only be triggered on specified events

5. The maximum amount that can be applied for unlocking under the revised legislation should be: (Please indicate only one)

40% of Year's Maximum Pensionable Earnings (YMPE)

25% of the value of the locked-in pension benefit

No maximum limit

Other (please elaborate) 50% - so as to enable harmony with other jurisdictions

6. Should legislation require an individual to get financial advice from a qualified financial advisor or financial institution prior to unlocking?

Yes

No [But please refer to the attached *ACPM Policy – Locking-In of RPP Funds* of June 27, 2018 for further clarity as we believe tools and education should be available to members that will help them understand the consequences]

7. The provinces of Nova Scotia, Ontario, Alberta and British Columbia and the Federal Government already have unlocking provisions for financial hardships. Are there any of their provisions that you think could be adapted by this province? Please elaborate in the space below or on a separate attached document.

One of ACPM's guiding policy principles is that Canada's pension legislation should always strive for better harmonization. In this case, ACPM promotes the harmonization of locking-in rules to avoid unnecessary complexity. Although unlocking provisions for financial hardships are not identical across the jurisdictions mentioned above, there are several general provisions noted in all pension standards legislation for British Columbia, Alberta, Ontario, Nova Scotia, and the federal jurisdiction that Newfoundland and Labrador should strongly consider adapting to ensure harmonization.

Specifically, these are financial hardship provisions relating to:

- mortgage default;
- rental default (which may include first month's rent and need for a security deposit);
- medical or disability expense costs; and
- low income (generally defined as less than 66 2/3% of the Year's Maximum Pensionable Earnings, with the exception of federal pension standards legislation, defining this as less than ¾ of the Year's Maximum Pensionable Earnings).

Incorporating these general categories into Newfoundland and Labrador pension legislation and aligning with other jurisdictions' definitions of these terms allows for continued harmonization. Since the aforementioned jurisdictions have already researched and confirmed the qualifying documentation as listed in their respective regulations, adopting these general categories will help simplify the process of developing provisions for documentation needed to put forward an application in each circumstance of financial hardship.

8. Please provide any other comments or suggestions on this issue in the space below, or in a separate attached document.

Attached is a soft copy of "ACPM Policy - Locking-In of RPP Funds", which provides additional context for ACPM's position on unlocking retirement savings.