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Pension Benefits Standards Unit
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**Re: Proposed Regulations re Unlocking of Pension Funds in Locked-in Accounts
Proposal Number: 26-MOF010**

Thank you for the opportunity to provide comments on the [proposed regulations](#) to broaden when and how funds may be withdrawn from a locked-in retirement account ("LIRA") or a life income fund ("LIF") that is subject to the *Pension Benefits Act* ("PBA"). This proposal will apply to former members of an Ontario-registered pension plan ("RPP") who have transferred their pension entitlement to a LIF or LIRA, including members of multi-jurisdictional plans whose final location of employment upon termination of their RPP membership was in Ontario. It reflects the [Spring 2026 budget](#) announcement of the decision to "provide Ontario's workers and retirees with more control over their money, allowing them to better balance their short and long-term financial needs while maintaining safeguards to protect retirement security".

The ACPM is the leading advocacy organization for a balanced, effective, and sustainable retirement income system in Canada. Our private and public sector retirement plan sponsors and administrators manage retirement plans for millions of plan members, including both active plan members and retirees. Collectively, their priority is to ensure the best possible outcome that will provide their plan members with the pension and retirement security that they expect.

This submission focuses on technical recommendations regarding the regulatory proposals, in recognition that government's policy decision to amend the unlocking rules has been made. The submission includes commentary on the significance of the locking-in rules, in context to employer and plan sponsor design choices and member impact. A summary of the proposed changes in comparison to the current rules is included in the Appendix, for ease of reference.

Executive Summary

The proposed regulations will permit:

- Full LIRA unlocking, if the balance in all of the member's locked in accounts is below 40% of the Year's Maximum Pensionable Earnings, which equates to about \$30,000 in 2026, and
- Full unlocking of LIF accounts.

In both cases, the amount can be unlocked at any time, at any age and for any reason¹. Spousal consent will continue to be required for LIF unlocking, with an acknowledgement that the withdrawal or transfer may reduce or eliminate any survivor entitlements payable upon death of the former member/account holder.

Saskatchewan, Manitoba, and Quebec have already implemented similar changes in their minimum pension standards. Ontario's proposal could spur policy makers and legislators in other jurisdictions to follow suit, but, in the near term, it works against the harmonization of minimum pension standards across Canada.

ACPM's position, last published in 2022, is that limited flexibility, such as one-time 50% LIF unlocking, is appropriate². The locking-in rules are a foundational element of the registered pension system. To support evidence-based decisions and post-implementation assessment, ACPM encourages the sharing of data and analysis on:

- the behavior of locked-in account holders, in response to both the prior relaxing of Ontario's locking-in rules in 2009 and the current proposals,
- impacts to the retirement income of account holders and their surviving spouses, and
- potential related impacts on government revenues and programs, particularly income-tested programs for seniors such as the federal Guaranteed Income Supplement ("GIS") and Ontario's Guaranteed Annual Income System ("GAINS").

A. Technical Commentary and Recommendations

This section provides technical commentary and suggestions on the proposed amendments to Schedule 1 (LIFs established before 2000), Schedule 1.1 (LIFs established after 2008), Schedule 2 (LRIFs established before 2009) and Schedule 3 (LIRAs) of the General Regulation.

- 1. The proposal states that the implementation date will be the date that the regulation comes into force. We understand this could be as soon as July 1, 2027.*

Comment: In determining the implementation timelines, please consider that locked-in account providers will need sufficient time to review and update their communications and processes, particularly given the proposed transitional approach of deeming in-flight applications to be cancelled on the implementation date of the regulations, and replaced by the requirement to submit a new application under the new rules. The implementation timing will also be of interest to

¹ While the LIF unlocking application cannot be submitted before the individual reaches the earliest retirement age under the pension plan from which money was transferred into the fund, this aligns to the earliest time a LIF would typically be established.

² ACPM's 2022 [Decumulation 2.0 paper](#) recommends that:

- All decumulation solutions permit an amount up to 50% to be unlocked and that those monies can remain in the plan but are now in the not locked-in bucket.
- Plan members be allowed to select this unlocking on a one-time basis, which could occur at retirement from their employment or when they set up their decumulation option. This would simplify the administration process.
- Where applicable pension standards legislation does not allow a one-time 50% unlocking of DC pension plan accounts, permit a withdrawal of an annual "bridge income amount" equal to the annual maximum Canada/Quebec Pension Plan (CPP / QPP) plus Old Age Security (OAS) benefit each year until age 70.

pension plan administrators that intend to review and update their member communications regarding locking-in, particularly during a member's termination experience.

2. *When a pension plan member terminates membership and elects to transfer their entitlement to a locked-in account, the regulations currently require the receiving financial institution to “agree” to administer the account in accordance with the PBA before the RPP administrator transfers the funds.*

Recommendation: ACPM recommends that this requirement in section 20(3) of the General Regulation be replaced with a simple disclosure by the RPP administrator to the receiving financial institution of its requirement to administer the transferred amount in accordance with the PBA and Regulation, in conjunction with the transfer from the RPP to the LIRA or LIF, such as is found in section 5(9) of Schedule 3. A similar approach could apply to transfers between locked-in accounts or from such an account to an RPP or upon annuity purchase. This would better facilitate the timely transfer of assets (to the benefit of the account holder) and reduce administrative paperwork without adding undue risk, given that the Schedules to the General Regulation detail and reinforce the requirements for locked-in accounts. It also supports efforts by RPP administrators to ensure their processes are efficient, effective and aligned with modernization of the national infrastructure that supports transfers between RPPs and financial institutions, such as initiatives by the Canadian Investment Regulatory Organization and Payments Canada.

3. *The proposal applies to LIFs and LIRAs but not to variable benefit accounts that may be established by a defined contribution (“DC”) RPP. Such accounts are similar to a LIF but pay flexible retirement income directly from the RPP.*

Comment: Consider whether similar treatment regarding unlocking should be extended to DC variable benefit accounts, including enabling a member to transfer such funds to a tax-deferred, additional voluntary account within the same RPP, subject to the plan's terms.

4. *The proposal amends the LIF spousal consent requirement to add an acknowledgement that the withdrawal or transfer may reduce or eliminate the spouse's entitlement under section 14 on the death of the account owner (see proposed paragraph 1.ii of schedule 12 of Schedule 1.1).*

Comment: Consider whether a similar acknowledgement should apply to the spousal consent requirements for a withdrawal or transfer from a LIRA, as found in section 9, paragraph 1 of Schedule 3. Although the death of a LIRA holder may be a less likely occurrence than for a LIF, due to age, there is a similar risk to the spouse that there will be no or reduced assets remaining for them.

B. Impact to Plan Sponsors and Employers

Locking-in rules are a key distinction from other forms of capital accumulation plans (like group registered retirement savings plans, “RRSPs”) where withdrawal restrictions are contractual and not statutory. This has shaped pension plan design and communications.

The ability of a terminated member to fully unlock or cash out their LIF or LIRA may be viewed as inconsistent with an employer's or plan sponsor's design intention to support the provision of income in retirement. An RPP is sometimes offered in conjunction with a RRSP or tax-free savings account (“TFSA”), with employer contributions primarily directed to the RPP. These accounts are generally structured and invested to deliver retirement income at a target date, over the long-term, even after employment ends. With the principle of locking-in so significantly diminished by the proposal, some employers may rethink subjecting that portion of their total rewards strategy to the costs and efforts of RPP administration.

Over time, the proposal may also reduce the total DC and capital accumulation plan (“CAP”) assets under administration, which are an important element of negotiating competitive fees and investment products, to the benefit of all DC/CAP members.

Concluding Remarks

The added flexibility to account holders will be welcomed by some. The immediate taxation of any cash withdrawal may temper large withdrawals that are not needed for immediate income. The proposal may support beneficial strategies to maximize future retirement income, such as by using such assets as an “income bridge” to enable a larger future CPP retirement pension. Also, for members with labour mobility resulting in several locked-in accounts across different jurisdictions, unlocking can facilitate consolidation of their retirement funds into a single, tax-sheltered account, with the resulting savings and ease of managing a single pot of money.

There is also a risk is that, by allowing full unlocking of such accounts and making this a permanent feature, the funds are used for other purposes, thereby decreasing income security during retirement. This risk of poor outcomes is particularly relevant for women, who tend to have lower account balances, lower financial confidence and live longer than men.³ This is why the ACPM supports monitoring and analysis.

It will continue to be important to help RPP members and locked-in account holders understand the potential outcomes of unlocking. For example, unlocked funds immediately lose the creditor-protection provided by the PBA and some account holders may be pressured to access such funds by creditors or others, for purposes other than their retirement. It may impact consumer proposals that are negotiated in lieu of personal bankruptcy. LIFs can be in the hundreds of thousands of dollars and represent a substantial asset in later life. Withdrawals made by a substitute decision maker (i.e., an individual authorized by the individual under a power of attorney for property) could effectively bypass the individual’s estate plan or income testing that would otherwise apply for long-term care rebates or other government programs.

Cash withdrawals result in a permanent loss of tax sheltering – there is no ability to re-contribute to a locked-in account. This also means that only the after-tax portion of a withdrawal could be available to purchase lifetime income under another pension plan that the individual may join in the future, or through new decumulation products to be enabled by the PBA, such as variable life benefits.

ACPM encourages the government to prioritize regulatory changes that foster innovation, support expanded pension coverage and better retirement outcomes for Ontarians. This includes Ontario’s legislative efforts to foster the development of DC decumulation products that can support greater retirement security and predictability, such as variable life benefits.

Please do not hesitate to contact us if we can provide further information or assist in any way.

Yours truly,

³ In the recent ACPM webinar on Women and Workplace Plans: Closing the Confidence Gap, Sun Life reported that the average group plan balance at retirement for women was \$164,000 vs men at \$224,000, based on Sun Life’s Designed for Savings 2025 report, and women live approximately 3 years longer than men on average.

A handwritten signature in dark ink, appearing to read 'Korinne Collins', written in a cursive style.

Korinne Collins
Chief Executive Officer
ACPM

Appendix: Summary of the Proposed Unlocking Rules

The following table compares the current and proposed rules for a locked-in account holder:

Current	Proposed
LIRA	
Full withdrawal is permitted if the person is at least age 55 , and the total value of all funds in a person's locked-in accounts is less than 40% of the YMPE.	Full withdrawal is permitted at any age if: the total value of all funds in a person's locked-in accounts is less than 40% of the YMPE.
The account holder must submit a withdrawal application to their locked-in account provider, which must release the funds within 30 days. The funds can be withdrawn in cash or transferred to an RRSP or RRIF. The spouse must consent to a LIRA withdrawal or transfer. In addition, withdrawals are permitted, at any age, for financial hardship, non-residency and shortened life expectancy, up to specified limits (generally, not exceeding 50% of the YMPE). These rules remain unchanged for LIRAs, but are likely to be less utilized, given the proposal to remove the minimum age requirement for the small amount unlocking.	
LIF	
Up to 50% of the total amount transferred to a LIF (generally, not sooner than 10 years before normal retirement date) can be withdrawn within 60 days of the transfer to the LIF.	Full unlocking at any time after the LIF has been established, with no restrictions on age, or amount .
The withdrawal opportunity is available at any time, and an application must be made to the LIF provider. The proposal revokes the existing rules for situational LIF unlocking, such as financial hardship, non-residency and shortened life expectancy, which are replaced in their entirety by the proposed regulations. Spousal consent continues to be required as part of the withdrawal application, which will now include an acknowledgement that the withdrawal or transfer may reduce or eliminate any survivor entitlements payable upon death of the former member/account holder.	
Commentary	
The current approach provides flexibility for older account holders, as they plan their decumulation strategy, while also supporting the needs of account holders at any age who need immediate access to their accounts to pay their rent, mortgage, medical bills or other special circumstances.	The proposed approach provides significantly greater access to LIRA and LIF funds, at any age or circumstance.