

# Locked-in Plans

## Understanding the Newfoundland and Labrador Pension Legislation



If you have funds in a “Locked-in” Plan governed by the Newfoundland and Labrador pension legislation, the following will provide an overview of certain requirements and procedures for you to access your funds. It is important to note that the pension jurisdiction is determined by the pension administrator and is not dictated by your province of employment or residence. Therefore, you may hold locked-in funds from the same or different employers that are subject to different pension legislations.

It should be noted that these rules are subject to change at any time and the Newfoundland and Labrador pension legislation should be reviewed prior to initiating an unlocking request. Where there is a discrepancy between the information contained in this article and the information provided by the applicable pension legislation, the latter takes precedence.

Please visit: <https://www.servicenl.gov.nl.ca/department/branches/divisions/pbsd.html>

**Year’s Maximum Pensionable Earnings (YMPE):** Unlocking provisions are often based on the YMPE which for 2020 is **\$58,700**.

**Locked-in Retirement Account (LIRA):** A LIRA is similar to a Registered Retirement Savings Plan (RRSP), however a plan holder cannot contribute additional funds to the account and will be restricted in how funds can be withdrawn. Funds are fully taxable when withdrawn. The plan holder may convert to a Life Income Fund (LIF) or purchase an annuity as of age 55, or earlier if permitted by the pension plan, and must do so no later than December 31<sup>st</sup> of the year in which they turn 71.

**Life Income Fund (LIF):** A LIF operates similarly to a Registered Retirement Income Fund (RRIF), with the main difference being that in addition to a minimum prescribed amount that must be withdrawn as income each year, there is also a prescribed maximum. Some LIFs may also need to be converted to a life annuity at age 80.

**Locked-in Retirement Income Fund (LRIF):** A LRIF has the same prescribed minimum as a RRIF and LIF, and calculation of the maximum prescribed amount also includes a factor of the previous year’s investment returns. However, there is no requirement to convert to a life annuity at age 80.

**Minimum Retirement Age:** Generally age 55, but may be earlier depending on the age at which the member may receive their pension benefits under the terms of their specific pension plan.

### One-time unlocking:

- This provision is not available under Newfoundland and Labrador Pension Legislation.

## Small balance:

- Total value of all the LIRAs, LIFs, and LRIFs is less than 10% of the YMPE, or
- The owner has reached the earlier of age 55, or the earliest date on which the owner would have been entitled to receive a pension benefit under the plan from which money was transferred, and the value in all LIFs, LRIFs and LIRAs is less than 40% of the YMPE (\$23,480 for 2020).
- The entire amount must be withdrawn as a lump sum.
- The plan holder must complete [Form 7: Application to Withdraw a Small Balance](#).
- The spouse or common-law partner would need to complete [Form 3: Waiver of Joint and Survivor Pension](#).

## Financial hardship:

- This provision is not available under Newfoundland and Labrador Pension Legislation.

## Non-resident withdrawal:

- This provision is not available under Newfoundland and Labrador Pension Legislation.

## Reduced life expectancy:

- A duly qualified physician must provide a letter certifying that a mental or physical disability has considerably shortened the life expectancy of the plan holder.
- The plan holder can withdraw the funds in a lump sum, or in a series of payments. Withdrawals are subject to applicable federal, provincial or non-resident withholding taxes.
- The spouse or common-law partner would need to complete [Form 3: Waiver of Joint and Survivor Pension](#).

## Temporary income:

- Permitted only with a LIF.
- The plan holder must be between the ages of 55 and have not yet reached their 65th birthday in the calendar year in which the request is made.
- The total pension income received by the plan holder for the calendar year in which the request is less than 40% of the YMPE (\$23,480 for 2020).
- The amount of temporary income that will be allowed for the applicable year will be based on the following formula:  
A - B = Maximum Temporary Income
  - A = 40% of the YMPE (\$23,480 for 2020) for the calendar year in which the application is made.
  - B = The total pension income to be received by the owner from all LIFs, LRIFs, Life Annuities and pension plans governed by Newfoundland and Labrador pension legislation, or established by or governed by and an Act of Canada or Province, except pension income under the Canadian Pension Plan.
- The plan holder and their spouse, if applicable, must complete [Form 8: Application to Receive a Temporary Income](#).

## At death:

- If there is a surviving spouse or common-law partner then the funds will be transferred to them on an unlocked basis.
- If there is no spouse or common-law partner then the plan proceeds are payable to the designated beneficiary or the annuitant's estate.

## Considerations

Review the unlocking rules with your TD advisor and consider how unlocking may fit within your overall wealth plan and assist you in meeting your retirement goals. Ensure you also speak with a tax advisor about the implications of a withdrawal.



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