

April 12, 2021

**Re: Pensions Division -Financial Hardship Unlocking Consultation
Government of Saskatchewan**

Ellement Consulting Group (Ellement) is pleased to provide our thoughts on Saskatchewan's Consultation relating to Financial Hardship Unlocking (FHU).

Prior to providing specific answers to the 13 questions that we have been asked to address, we would first like to provide some comments and background history that you may wish to consider in developing your legislation. Some of our following comments incorporate feedback we have received from other regulators, most specifically Alberta, who have implemented similar FHU programs.

Given that this proposed program has some key differences compared to the norm across Canada, (specifically that other jurisdictions apply their programs to LIFs as well as LIRA's, whereas the Saskatchewan proposal excludes pRRIFs because there is no upper limit on the amount that can be withdrawn from a pRRIF) and that Saskatchewan has a history of being an innovator in Canadian pension legislation, we suggest Saskatchewan might wish to use a different name and acronym. One that you may wish to consider is LIRA Unlocking Program or LUP.

Background

Historically, pension assets were intended to be locked in and could only be used to provide a lifetime pension income stream. However, as with other parts of legislation such as funding and survivor entitlements, there were or are exceptions to the general rule or intended principle.

For example, there appears to have been a common practice prior to the introduction of pension legislation in Canada, starting in 1965 in Ontario, to allow terminating members to unlock up to 25% of the commuted value (CV) of their pension. This appears to have been a practice in British influenced jurisdictions such as Canada and the British Caribbean. This option disappeared with the advent of Canadian pension benefits acts.

Depending on the jurisdiction, the only other apparent exception was "de minimis" pensions where pensions less than \$10 a month could be paid out.

This was the situation until the first period of "pension reform" legislation was enacted in the 1985-1993 period when portability (still on a locked-in basis) was introduced. Prior to this change, the only options for a member were to terminate before being vested and get a refund of their contributions plus interest or, if vested, qualify for an immediate or deferred pension payable from the plan. [non-vested members of non-contributory plans received nothing on termination]. Portability was a legislative response to pressure from plan members who wanted another option and from plan sponsors who wanted to off load

these pension liabilities and the not insignificant administrative effort of keeping large numbers of relatively small benefits on their books for decades, and then relying on these departed members actually remembering at age 65 to contact their former employer.

Portability, while it did not give these former members the ability to unlock these commuted values, reinforced the view that the money belonged to the member and led to the often-articulated view that "it's my money and what right do you -- government or plan sponsor-- have to tell me I can't have access to my pension?"

The next opportunity to gain access to funds was the increase in the "small amount" unlocking threshold to allow CV's less than 20% of the current YMPE to be unlocked. [\$12,320 in 2021 given the 2021 YMPE is \$61,600]

Some provinces, such as Saskatchewan, also have another unlocking threshold where the annual pension is less than 4% of the YMPE (\$2,464 per year in 2021 or \$205.33 per month). This generally, depending on age and interest rates, equates to a CV well in excess of the above \$12,320 current unlocking limit.

Additional avenues to unlock pension money in addition to the "small amount" criterion that have crept in over the last number of years include shortened life expectancy and non-residency -- both subject to specific criteria such as spousal waiver consent.

The point of the above summary is not to question the validity or rationale for these changes, but rather to illustrate the withering away of the "sanctity" that pension moneys must be used solely to fund a stream of lifetime pension payments from the pension plan itself. The changing of the "pension promise" may be an unintended consequence of this evolution as we attempt to address a balance between the short-term and long-term income needs of former plan members.

FHU is simply the latest in the series of approaches to unlock pension funds.

The overarching policy intent appears to have been that pension funds should be used to provide lifetime pensions with one of the objectives being to eliminate or decrease dependency on government provided programs in one's later years. Every opportunity to divert funds to immediate cash chips away at this objective.

Human Behaviour

There is an inherent conflict between pension regulators and most plan sponsors and individual terminated members. The former two groups would like to preserve the plan's assets to pay a monthly pension. Many of the latter group want to unlock as much of the value of their pension as soon as they can.

In conversations with the Alberta regulator, we were advised:

1. Many members will go to any length to get access to their funds that are now held in a LIRA or LIF.
2. Many FHU applicants access their funds at least annually, to the point some applicants go to their bank on the first business day of the calendar year to submit their application.
3. The Alberta regulator receives more calls on FHU than any other subject.

4. Financial Institutions will often tell applicants that “we can’t approve your application, but phone the regulator and ask them to make an exception in your case”.
5. When advised that these funds were intended for their retirement, a common reply was: “I need the money now and will worry about my pension when I’m 65” or “If I don’t get access to this money now, I won’t be around at 65”.
6. The number of requests to unlock funds in a LIRA/LIF due to the economic strains resulting from COVID 19 increased noticeably in the first half of 2020.

The point of presenting these comments is that if the Financial and Consumer Affairs Authority (FCAA) implements FHU, they will need increased resources to deal with the increases in calls or complaints from former plan members or their financial institutions.

It should also be pointed out that, so far, the requests have mainly been to unlock money after it has been transferred to a LIRA or LIF. Regulators need to be prepared for the next generation of questions where active members will want access to their funds while they are still members of their pension plan -- whether active, deferred or retired. So far, the only example where this could occur is in the area of phased retirement, which, from what we have been advised, is a provision that very few plans have incorporated in their plan text.

Summary of Recommendation from Ellement

Before providing answers to the specific questions below, Ellement’s overall recommendations are:

1. Keep the program simple to understand and administer.
2. Restrict access to unlocking only to LIRA’s and resist all attempts to allow current or former plan members to access any funds that still remain in their pension fund – any costs to unlock should not be shared by other pension plan members.
3. Have only two reasons to unlock funds:
 - a. Low expected income (maximum unlocking of 50% of YMPE)
 - b. A general unlocking provision (of up to 20% of the YMPE)

Specific Answers to the 13 Questions

We now turn to the specific questions identified in the consultation paper.

Should Saskatchewan decide to implement an FHU program, we suggest that it be framed around the following objectives:

1. Simple to explain to ex-plan members and Financial Institutions (FI’s). Hopefully, this will reduce or minimize the calls and complaints to the FCAA.
2. Does not materially impact the ability of the remaining funds in the LIRA to provide a meaningful lifetime income.
3. Clear communication that the amount received by the ex-member should be after withholding tax is applied, subject to spousal waiver consent where applicable, and that unlocked funds are no longer protected from seizure by creditors, bankruptcies, and assignments.

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

From our above comments, we do not think you will be surprised that Ellement's response to this question is a qualified or partial "yes". We can appreciate the spirit motivating the adoption of this program but suggest that it be made simpler than the prevailing norm in the rest of Canada.

Given that the current annual pension unlocking threshold of 4% of the YMPE for members of DB plans represents a commuted value generally, depending on age and the prevailing market interest rate environment, well in excess of the above \$12,320 current unlocking limit, we question how robust a Saskatchewan program needs to be.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

While we have no objection to the four criteria identified for unlocking, we suggest for simplification of understanding and administration there be only two criteria for unlocking:

1. Low expected income for the coming year.
2. An annual one- time withdrawal up to a prescribed amount [for example 20% of the YMPE] with no reason needed to be provided. [the 20% used here ties in with the 20% threshold for the unlocking of small CV's].

Other options are:

3. Allow #2 above in addition to the four enunciated reasons.
4. Allow one application per year for each reason, or if 1 and 2 are adopted, allow an annual application from 1 or 2, but not both.

Additional Conditions

1. Note, we would permit the unlocked amount to be transferred to an RRSP rather than be required as a cash payment.
2. A spousal waiver would be required for each unlocking request.
3. Given that Reason 2 above is not tied to a specific reason, there should be some restriction on creditors being able to force LIRA holders to exercise Reason 2.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

Yes, following from Question 2 above, once per Reason per year, or once of Reason 1 or 2 above per year. Experience has shown that there is a cohort of annual applicants. In addition, this applies to each LIRA that a former member holds. Each application to each LIRA will be evaluated independently and there should be no requirement for a financial institution (FI) that holds the LIRA to monitor or enquire about other LIRA's the former member may have, whether at the same or at another FI.

Question 4: Do you agree with the formula for determining the maximum withdrawal for low income which is used in the example? If not, what do you think the formula should be?

Yes, subject to our proposed Reason 2 above being adopted. However, we wish to point out the following problems with this formula:

1. Applicants who know how the system works simply declare "0" and become entitled to \$30,800, -- the maximum allowed at 50% of the YMPE.
2. Applicants who hope to work in the coming year legitimately do not know when they will rejoin the labour force or how much they will be making. Thus, they are guessing and may simply say "0" in order to maximize their entitlement.

Question 5: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of mortgage arrears, plus legal fees, for either their principal residence or that of their spouse?

If this is adopted as a criterion, yes. Our suggestion of a flat 20% of YMPE withdrawal may obviate the need for this criterion.

Question 6: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of rent arrears, if either they or their spouse are facing eviction?

Same answer as question 5 above.

Question 7: Do you agree that the LIRA owner should be able to withdraw an amount equal to medical costs incurred or to be incurred? Do you agree that the medical cost must be with respect to prescriptions, medical or dental treatments, or home renovations, where no payment has been made by a third party?

Same answer as question 5 above. Our answer is yes to the second part of the question.

Question 8: Do you agree that the LIRA owner should be able to withdraw an amount equal to the first months' rent, security deposit and pet damage deposit?

Same answer as question 5 above.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

Ideally, yes and we recommend a five-year sunset clause. However, the practical reality is dealing with the backlash should it be decided to cancel the program. If the FCAA feel they can deal with this anticipated backlash should they wish to cancel the program, then put in a five-year sunset clause. If the FCAA does not feel they can handle this backlash, then do not put in a sunset clause.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

No concerns. Our only question is: What is the value or purpose of this report? If it is low value added, then do not require a report as it just creates an administrative burden on those that have to prepare the report. If there is perceived value added, then the frequency should be no more than annually.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

Ellement feels that this could be a mandatory provision if there is no concern that putting it in a LIRA contract may result in increasing the number of FHU applications. We do not feel this provision is a key part of the FHU program as users will already be aware of how to access the FHU program.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

Absolutely. The FCAA should not be involved in any way in administering or adjudicating applications. In addition, Ellement strongly recommends that the application form must clearly state that the decision of the FI is final and that the FCAA has no authority to review or amend the FI's decision or to grant an exception to the legislation and that applicants are not to contact the FCAA regarding any decision relating to their application to their FI.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

Ellement feels that two months is too short a time period and recommends a six-month lead time based on the experience of other jurisdictions as a number of FI's centralize the adjudication and processing of applications and need time to develop procedures, train staff and instruct local branch staff in how to deal with applicants and forward applications to a central processing area that may not even be located in Saskatchewan.

April 12, 2021

Conclusion

Ellement's preferred approach to implementing FHU is a two criteria system as outlined in our response to Question 2.

Our back- up option is to adopt the four reasons identified by the FCAA plus option 2 as contained in our response to Question 2.

Sincerely,

ELLEMENT CONSULTING GROUP



If you wish to discuss our submission or have any questions, we ask you to contact:

Paul Owens

Senior Vice President, Pension Policy

Ellement Consulting Group

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Email: paul.owens@ellement.ca

Ballan, Holly FCAA

From: Rob Miller <Rob.Miller@concentra.ca>
Sent: Friday, April 16, 2021 3:22 PM
To: Pensions FCAA
Subject: Consultation - Financial Hardship Unlocking from a LIRA

Good afternoon,

Concentra Trust, as a registered plan trustee offering Saskatchewan locked-in retirement accounts (LIRAs) is pleased to be able to respond to the Financial Hardship Unlocking consultation. Our comments are below.

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

Yes, we agree the Government should amend the Regulations to allow for financial hardship unlocking from a LIRA. This change would bring more consistency with similar provisions available under other pension jurisdictions across Canada.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

We agree with four proposed criteria, and do not have any suggestions for additional unlocking criteria.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

For consistency with other jurisdictions, and administrative ease, we recommend limiting each financial hardship unlocking to one application for each category, under each particular LIRA, once each calendar year.

Question 4 to 8:

We agree with the proposed criteria outlined under Questions 4 to 8.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

There should not be a sunset clause in the financial hardship unlocking provisions in the Regulations. Sunset provisions are normally added when the statute or regulation pertains to a measure that ceases after a specific date or time. Financial hardship might be exacerbated by certain conditions, like a pandemic, but the fact remains that LIRA annuitants can experience it at any time of their lives. Since it is close to impossible to predict when one will experience a financial hardship, such an unlocking provision should have no end date.

If the only reason for adding a sunset clause is to check how the financial hardship unlocking provisions are being used, such information can be acquired now by looking at the jurisdictions that are currently implementing them. By looking at the best practices of other jurisdictions, we can set the right criteria, frequency, formula, and requirements for the financial hardship unlocking provisions. That will greatly minimize, if not eliminate, the need to regularly monitor the said provisions.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

We do not agree with including mandatory statistical reporting as part of the financial hardship unlocking provisions. Mandatory reporting, in many instances, would result in financial institutions having to, at their cost, update IT/data system infrastructure. At this point in time it is not clear what benefit the statistical reporting would provide.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

Yes, we agree the financial hardship unlocking provisions should be a mandatory provision of the LIRA contract.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

As this is consistent with most other jurisdictions, we agree that applications should not be submitted to the FCAA for approval. We would expect, like other jurisdictions, the FCAA would provide guidance (e.g. Q & A) and other supporting documentation related to the unlocking process on their website as a resource for both financial institutions and for LIRA annuitants. As outlined in the consultation document, we agree with the application forms being prescribed under the Regulations.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

Two months would be sufficient time, provided that the application forms and supporting documentation are available to financial institutions prior to the coming into force of the new provisions.

Additional Comments

As you are aware, the withdrawal of funds from a LIRA are subject to withholding tax under the *Income Tax Act*. To avoid any ambiguity, we recommend that the Regulations take into account that the funds are subject to withholding tax, and that the permitted withdrawal from the LIRA is the sum of the calculated amount permitted under the applicable financial hardship category plus the amount of any applicable withholding tax required to be withheld by the financial institution.

The consultation document notes that once "unlocked" the funds could be transferred to another tax deferred vehicle such as an RRSP, subject to the requirements under the *Income Tax Act*. We ask that this transfer availability be noted in the supporting documentation made available by the FCAA.

Finally, we assume the annuitant of the LIRA will have to make an attestation regarding the financial hardship withdrawal on the application. We would expect the financial institutions would be able to rely on such an attestation. Although certain provisions will require the annuitant to provide supporting documentation; other provisions (like low income) do not, and we would expect that financial institutions would be able to rely on the information provided by the annuitant in their application.

Thank you for giving us the opportunity to comment on the proposed financial hardship unlocking provisions.

Regards,

Concentra

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Ballan, Holly FCAA

From: Dionne, Isabelle <Isabelle.Dionne@bnc.ca>
Sent: Friday, April 16, 2021 12:59 PM
To: Pensions FCAA
Cc: Dion, Lorraine; Danard, Manon Chiara; Dionne, Isabelle
Subject: RE: Consultation Saskatchewan - Financial Hardship Unlocking from a LIRA

Hello,

Please find below our comments/suggestions regarding the above mentioned Consultation.

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

Answer: Yes we agree.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

Answer : We agree with the four criteria, since they are similar to those of other provinces.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

Answer: Yes we agree. For ease of management, we believe that the client should be allowed only one application for each criteria (situation) **once per calendar year**.

Question 4: Do you agree with the formula for determining the maximum withdrawal for low income which is used in the example? If not, what do you think the formula should be?

Answer: Yes we agree. Please confirm whether the requested amount by the client is a net or gross amount (difference: withholding tax applicable).

Question 5: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of mortgage arrears, plus legal fees, for either their principal residence or that of their spouse?

Answer: Yes we agree.

Question 6: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of rent arrears, if either they or their spouse are facing eviction?

Answer: Yes we agree.

Question 7: Do you agree that the LIRA owner should be able to withdraw an amount equal to medical costs incurred or to be incurred? Do you agree that the medical cost must be with respect to prescriptions, medical or dental treatments, or home renovations, where no payment has been made by a third party?

Answer: Yes we agree, as long as it is not the responsibility of the financial institution to verify that no payment has been received by the client from a third party. We would suggest that a statement to that effect be added in the prescribed form for the client to sign.

Question 8: Do you agree that the LIRA owner should be able to withdraw an amount equal to the first months' rent, security deposit and pet damage deposit?

Answer: Yes we agree.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

Answer: We disagree with a sunset clause as the Government has the option to change the Regulations at any time.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

Answer: Yes, we have concerns with financial institutions providing a statistical report to the FCAA given that it would mean using a manual process with the consequent risks of error; because of the significant costs involved, automated report would not be implemented by financial institutions. We therefore are not recommending such statistical report.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

Answer: We believe that such a provision should be added in the LIRA contract so that clients are informed of their rights in this regard.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

Answer: We agree that the financial institutions should bear such responsibility provided that the Government produces support documents, such as FAQ, which are to be updated annually.

We recommend that the spousal consent be amalgamated in the application form, not in a separate form.

Information provided via website and prescribed form should confirm that the client requested amount is a net amount; the withholding tax amount is to be added to the amount withdrawn due to financial hardship. This should be consistent through all four criteria or situations under which money could be withdrawn.

Also, there should be a mention that a withdrawal may only be paid in one lump sum. A withdrawal can't be paid out in several payments.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

Answer: Provided all information is available (FAQ, prescribed form, etc.), a two-month deadline is achievable (though the update of the LIRA contract - in order to add a Financial Hardship Unlocking provision - may take more time (see answer to Question 11)).

Regards,



Lorraine Dion

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April 16, 2021

Pensions Division – Financial Hardship Unlocking
Financial and Consumer Affairs Authority
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Regina SK S4P 4H2

Email: pensions@gov.sk.ca

To the Financial and Consumer Affairs Authority,

On behalf of Saskatchewan's credit union sector, thank you for the opportunity to review Financial Consumer Affairs Authority (FCAA) consultation paper on financial hardship unlocking from a Locked in Retirement Account (LIRA).

We understand that FCAA has identified this as a potential option for some Saskatchewan residents due to the economic downturn during the pandemic. The outcomes of this consultation will be foundational in forming recommendations to the provincial government to amend *The Pension Benefits Regulations, 1993*.

The Canadian Credit Union Association (CCUA) is the national trade association for Canada's 233 credit unions and caisses populaires outside Quebec, including 36 credit unions in Saskatchewan. In aggregate, Saskatchewan credit unions control approximately \$26 billion in assets and serve more than 486 thousand credit union member/owners throughout the province.

Credit unions have responded to the COVID-19 crisis by providing financial relief that allowed their members to focus on their health and well-being. Saskatchewan's credit unions have been working diligently with members to provide them with ongoing support during the pandemic. Credit unions have been assisting consumers, businesses, agriculture producers and community-based organizations during these challenging times through a variety of methods. Credit unions have adjusted advice and service delivery to enhance health and safety measures. They have assisted members in navigating federal and provincial government support programs. They have also provided loan extensions, mortgage deferrals and in some cases additional credit based on each credit union member's circumstances.

The credit union sector has a long history of assisting members in their time of need, and as such credit unions are generally supportive of the Province of Saskatchewan allowing residents to unlock funds from a Locked-In Retirement Account (LIRA) if they are facing extreme hardship. This submission also contains a few suggestions for strengthening the process for unlocking funds and a few additional considerations and questions that require clarification.

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

There is strong support among the credit union sector for permitting the unlocking of LIRA funds due to financial hardship. Similar to other federal and provincial governments that offer this option, the provincial government must provide the application process/forms for this type of



application. Unlocking LIRA funds due to hardship could prevent members from losing their home or assist them in covering medical expenses.

Credit unions are equipped to provide advice to individuals who do wish to make a withdrawal to help them understand the impact it will have on their retirement earnings.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

There is strong support among credit unions for applying the proposed criteria: a) facing eviction or foreclosure; b) requiring funds to secure a new principal residence; c) high medical costs. One additional criterion that could be included is requiring funds for medical equipment should an annuitant become disabled with no other available funds.

We also suggest some changes to the proposed criteria for d) *expected low income*. Although the consultation paper provides a formula, applicants should be required to provide more contextual information on the contributing factors for their hardship that will cause the low expected income. Financial institutions require this information to provide the best possible advice. Have other potential federal and provincial benefit programs been exhausted? Is it because of a foreclosure/rent, job loss, health issues or financial mismanagement? The applicant should provide some additional context for the expected low income aspect.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

Credit unions believe there should be a limit on how frequently money could be withdrawn from a LIRA fund. A limit of once per year from the last date of withdrawal would be the preferred limit. As noted in the previous question, it is always important to understand the reason why an individual needs access to retirement funds.

Question 4: Do you agree with the formula for determining the maximum withdrawal for low income which is used in the example? If not, what do you think the formula should be?

Most credit unions are supportive of using the proposed formula which would align Saskatchewan with other provinces. However, it has been pointed out that the federal formula accompanying the *Federal Pension Benefits Standards Act, 1985* provides more flexibility for applicants. Saskatchewan's economy was facing challenges prior to the pandemic and this consultation's proposed average annuitant YMPE scale (the year's maximum pensionable earnings) may be too limiting. The province of Saskatchewan will have the most current information regarding the average income for Saskatchewan residents. According to Statistics Canada, the average income for Canadians between the ages of 25-54 in 2019 was \$58,400.

According to the federal formula, the applicant would have the possibility of accessing more funds.

Question 5: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of mortgage arrears, plus legal fees, for either their principal residence or that of their spouse?

The sector supports LIRA owners or their spouses having the ability to withdraw an amount equal to the amount of mortgage arrears, legal fees for their principal residence according to the criteria outlined in the consultation document.

Question 6: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of rent arrears, if either they or their spouse are facing eviction?

The sector supports this proposal. If individuals or their spouse are facing eviction, they should have access to their LIRA funds. To ensure this relief is provided, the financial institution or investment firm should control the disbursement of the funds to the receiving financial institution or law firm.

Question 7: Do you agree that the LIRA owner should be able to withdraw an amount equal to medical costs incurred or to be incurred? Do you agree that the medical cost must be with respect to prescriptions, medical or dental treatments, or home renovations, where no payment has been made by a third party?

The credit union sector supports this proposal pertaining to specific medical costs. Medical costs should also include the purchase of medical equipment, or travel required for medical reasons.

Question 8: Do you agree that the LIRA owner should be able to withdraw an amount equal to the first months' rent, security deposit and pet damage deposit?

When surveying credit unions on this proposed measure, CCUA received divergent opinions. While all credit unions would work with members on a case-by-case basis to explore funding options for securing an individual's principal residence, the proposal does not provide measures to ensure the unlocked pension funds are solely used for that purpose.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

Financial hardship can happen at any time, not only during a pandemic so a sunset clause is not deemed necessary. CCUA suggests a review at 2 years, with regular reviews every five years thereafter.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

Administrative burden is always a concern, but given the importance of these proposed changes, credit unions do not have any concerns with providing an annual report.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

There should be a mandatory provision as it would provide consistency across the financial services sector. This also provides individuals who are truly experiencing financial hardship ability to access their funds regardless of who they bank with.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

Credit unions agree that financial institutions should be responsible for reviewing the applications. We recommend that in alignment with other jurisdictions that the regulatory changes allow for financial institutions to charge an administrative fee to cover these costs.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

Most credit unions believe 90 days or longer would be sufficient time for implementing these changes, however we require more information about what type of forms, templates or procedures will accompany these regulatory changes. It would be important for the government to consult with financial institutions regarding their IT service providers to ensure they have time to update systems to accommodate this change.

In conclusion credit unions are generally supportive of the changes in the regulations to allow individuals to access their LIRA funds for financial hardship situations, as it will allow them to bridge a temporary circumstance. We believe this will help align Saskatchewan with other jurisdictions in Canada.

Sincerely,



Leslie Trobak
Regional Director of Government Relations (Saskatchewan)



April 16, 2021

Pension Division – Financial Hardship Unlocking
Financial and Consumer Affairs Authority
601 – 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Via email: pensions@gov.sk.ca

Re: Response to Financial Hardship Unlocking Consultation

To Whom It May Concern:

ACPM (The Association of Canadian Pension Management) is a national, non-profit organization acting as the informed voice of plan sponsors, administrators and their service providers in advocating for improvement to the Canadian retirement income system. Our membership represents over 400 companies and retirement income plans that cover millions of Canadian plan members.

We are pleased to provide our response to the consultation paper on Financial Hardship Unlocking.

While unlocking prior to retirement age is contrary to ACPM's general principle of funds remaining locked-in until retirement (*please refer to the attached ACPM policy – Locking-in of RPP funds, June 27, 2018*), we understand there may be a policy rationale for offering this exception and other jurisdictions (e.g., Alberta, BC, Ontario, Nova Scotia and Newfoundland and Labrador) permit unlocking due to financial hardship. As this change would provide harmony with other jurisdictions, it would be supported by ACPM.

The following are ACPM's responses to the specific questions posed:

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

Yes, ACPM supports the change.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

Yes, ACPM agrees with the four criteria under which money could be withdrawn.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

ACPM does not have a specific view on the frequency of withdrawals but supports harmonization of financial hardship unlocking provisions, including withdrawal frequency, across Canada. However, the frequency of withdrawals that are permitted should be mindful of the administrative burden placed on financial institutions who administer these accounts.

Question 4, 5, 6, 7 and 8

ACPM agrees with all proposed requirements to withdraw funds and appreciates the alignment with other Canadian jurisdictions.

One of ACPM's guiding policy principles is that Canada's pension legislation should always strive for better harmonization. Therefore, ACPM agrees with the proposed requirements to withdraw funds as they align with the general provisions in other jurisdictions.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

ACPM does not support a sunset clause as it deviates from other jurisdictions but does feel a mandatory review of this provision is prudent. As indicated above, our belief is pension funds should be locked-in until the minimum retirement age. However, we also recognize the need for flexibility in uncertain times and appreciate the position the Government is in as we all navigate the uncertainties that COVID-19 brings to the citizens of Saskatchewan. With that in mind we feel a mandatory review after five years would be reasonable.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

Any reporting requirement should be clearly communicated in advance to LIRA holders so they can make arrangements to track the information that will be requested. In addition, no reports should be requested if the information is not intended for use in a meaningful way as there is an administrative cost to track, maintain and prepare the information that will be provided in any report.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts? Yes, otherwise it will result in unnecessary complexity as there will not be uniformity amongst LIRA contracts.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

Yes, we feel the financial institution who issued the LIRA should be responsible for reviewing the applications. We also feel that the regulator should establish clear and concise rules and leave compliance monitoring to the LIRA holders.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

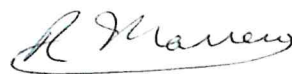
No comment.

Thank you for the opportunity to provide our input and please contact us if we can be of further assistance.

Sincerely,



Paula Potter
Vice-Chair, Prairie Regional Council
ACPM



Ric Marrero
Chief Executive Officer
ACPM



June 27, 2018

ACPM Policy - Locking-In of RPP Funds

Background

The ACPM believes that encouraging retirement savings is part of an efficient and sustainable retirement savings system;

Although each specific rule varies, legislation in several Canadian jurisdictions now allows a retiree to unlock up to 50% of the retiree's accumulated registered pension plan (RPP) entitlement at retirement (AB, MB, ON, Federal). Saskatchewan now has 10 years of experience with full unlocking at retirement and Manitoba is currently consulting on full unlocking at age 65. Several jurisdictions permit hardship withdrawals and unlocking for non-residents.

ACPM's 2017 decumulation paper advocated for giving retirees flexibility to manage their accumulated savings in retirement, which inherently requires at least partial unlocking.

Unlocking RPP funds at retirement could help to level the playing field between Group RRSP's and RPP pension savings.

Proposed Principles

Locking-in rules should be harmonized across Canada. Different rules by jurisdiction add unnecessary complexity for national plans and can impact labour mobility for employees near retirement. A harmonized set of rules would be built upon the following principles:

- RPP funds should remain locked in until retirement age. Existing exceptions for financial hardship withdrawals, after the money has left the RPP, can be maintained.
- Members should be permitted to unlock up to 50% of their accumulated funds or the pension's commuted value at retirement age when terminating employment or, if the funds are already held outside the RPP due to an earlier exercise of portability prior to retirement age, when they reach retirement age.
- At the option of the sponsor, a pension plan should be permitted to allow a member to unlock up to 50% of their accumulated funds or the pension's commuted value within the RPP at retirement.
- In all cases, this should be a one-time decision made as the retiree is exiting their plan or starting to draw retirement income. Appropriate spousal protections should apply.

However, existing rules permitting DB plans to restrict portability to employees who leave before they reach early retirement age should be maintained due to anti-selection concerns. It is not proposed that existing rules governing the treatment of deferred vested pensions for members who did not elect or did not have the option to elect portability would be changed, other than if the plan sponsor wishes to permit it.

To assist with understanding the application of these principles in DB and DC RPPs, the following chart outlines when 50% unlocking would be permitted.

	DB	DC	LIRA/LIF
Unlocking before termination of employment	No	No	N/A
Unlocking before retirement age	No	No	No
Unlocking at exit from RPP, or at transfer from LIRA to LIF or annuity.	Yes, if plan permits portability at retirement age. No, if member is deferred vested and plan does not permit a late portability election.	Yes	Yes
Unlocking inside RPP	Yes, if plan permits	Yes, if plan permits	N/A

Without imposing additional obligations on plan administrators, retirees should be given tools and information to assist them with managing mortality risk and the unlocking and draw-down of their accounts. Best practice decumulation guidelines for plan administrators or the financial institutions holding these accounts should be developed through revised CAP Guidelines. Employers/sponsors/administrators offering appropriate defaults and/or following best practice guidelines should not be responsible for spending outcomes. There is a role in this regard for multi-component, risk-pooled defaults as recommended in the ACPM Decumulation paper.

April 15, 2021

ATTN: PENSIONS DIVISION – FINANCIAL HARDSHIP UNLOCKING
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY (FCAA)
601 - 1919 SASKATCHEWAN DRIVE
REGINA SK S4P 4H2

VIA EMAIL: pensions@gov.sk.ca

To whom it may concern:

RE: RESPONSE TO CONSULTATION ON FINANCIAL HARDSHIP UNLOCKING
FROM A LOCKED-IN RETIREMENT ACCOUNT

Please find enclosed CUPE Saskatchewan's submission responding to the consultation paper released by the Financial and Consumer Affairs Authority with regards to the consideration of establishing a new unlocking rule for all new and existing locked-in retirement account (LIRA) contracts which hold locked-in pension monies pursuant to *The Pension Benefits Act, 1992*.

CUPE Saskatchewan opposes the government's choice to pursue pension unlocking as a public policy response to the pandemic. We do not agree that it is good policy to facilitate a process where individuals should have to resort to draining their retirement savings to sustain themselves during a historic public health crisis. Governments at all levels are much better positioned to respond to the financial and other challenges which individuals are facing during the midst of the pandemic.

Yours sincerely,



JUDY HENLEY
President

/nm cope 342

Enclosure

**Submission to the Pensions Division –
Financial and Consumer Affairs
Authority of Saskatchewan (FCAA)**

**CONSULTATION: FINANCIAL
HARDSHIP UNLOCKING FROM A
LOCKED IN RETIREMENT ACCOUNT**



Canadian Union of Public Employees
Saskatchewan Division
306-757-1009
www.cupe.sk.ca

About the Canadian Union of Public Employees

The Canadian Union of Public Employees (CUPE) is Canada's largest union, including almost 700,000 public sector members working in virtually every community across the country. In Saskatchewan, we proudly represent over 30,000 workers organized in 145 bargaining units.

Our members work on the front lines in our communities. We are tax-paying citizens and users of the public services in the province. More importantly, we are proud of the role which we play in delivering public services to the people of Saskatchewan in health care, education, municipalities, libraries, universities, group homes and safety net homes, child care centres, transition shelters and other community-based organizations.

CUPE's Position on the Proposed Amendments

The Government of Saskatchewan is proposing to amend the *Pensions Benefit Act* Regulations to “establish a new unlocking rule for all new and existing locked-in retirement account (LIRA) contracts which hold locked-in pension monies pursuant to The Pension Benefits Act, 1992 (the Act).”

CUPE Saskatchewan has long been opposed to relaxation of pension unlocking rules, and our union is opposed to these proposed amendments. It is our view that the existing provisions of the *Pension Benefits Act* are reasonable and flexible enough to assist persons truly in medical need of their pension funds.

Pension law in the province already permits plans to offer exceptions to the “*locking in*” requirements where a person has accumulated a small balance in the pension plan or if someone’s life expectancy is likely to be shortened considerably. CUPE Saskatchewan believes the narrow exceptions to “*locking in*” are appropriate and should remain.

The proposed changes to enable “*Financial Hardship Unlocking*” is, in our view, intended by government to be a public policy response to the COVID-19 crisis. The Financial and Consumer Affairs Authority’s consultation paper notes that requests to unlock retirement funds “have increased due to COVID-19.” The fact that government is contemplating these changes in the midst of the pandemic is suggestive of our view that government views these changes as a policy response to COVID-19.

CUPE Saskatchewan of course recognizes the financial hardships faced by many in the province due to COVID-19. Our own membership has been greatly impacted by the pandemic. By mid-June of last year, 2,100 CUPE members were laid off. Over 500 CUPE members are still laid off, while many others have had their hours of work cut back.

CUPE Saskatchewan does not want to see the residents of this province facing financial hardship, high medical costs, foreclosure or eviction due to COVID-19 or other labour market pressures. We believe these are problems that should be solved – just not at the expense of our future retirement security. Our union has strongly advocated for public income and social support programs for those facing various personal pressures due to the pandemic. COVID-19 is a shared, public crisis which demands fair, public solutions.

CUPE Saskatchewan opposes the government's choice to pursue pension unlocking as a public policy response to the pandemic. We do not agree that it is good policy to facilitate a process where individuals should have to resort to draining their retirement savings to sustain themselves during a historic public health crisis. Governments at all levels are much better positioned to respond to the financial and other challenges which individuals are facing during the midst of the pandemic.

CUPE Saskatchewan believed retirement savings unlocking was wrong before the pandemic and we continue to believe so. Governments, not individual retirement savings, should be sustaining those in need during the pandemic.

Failure to Identify Drawbacks in Consultation Process

In presenting this issue to the public for comment, the Government of Saskatchewan has made little effort to outline any of the negative outcomes which could arise for individuals from a further loosening of unlocking rules.

Pension unlocking is a very complex issue with far-ranging outcomes for working people. In our view there are many downsides and complications which must be weighed in discussing this policy change. We respectfully submit that this consultation process has not sufficiently identified these complications, especially the following issues:

1. The downsides of using pension funds for purposes for which they are not designed, *and*
2. Fairness, bias and equity issues this proposal raises.

We describe these issues in turn.

The Downside of Using Pension Funds for Purposes for Which They Are Not Designed

- The value of funds withdrawn from a locked in account will decline significantly on withdrawal, as these withdrawals will be subject to a withholding tax. Based on the information in the consultation, individuals may not understand that their locked in retirement funds have always been sheltered from tax, and that any withdrawals will be subject to income tax, at rates which are not discussed.
- Unlocking funds from a retirement account seriously reduces an individual's ability to retire with security and dignity. Government suggests withdrawals would only be available to those experiencing financial hardship. It is more likely workers and retirees will be experiencing such financial strain during recessions, when labour markets are more challenging. However, during such economic downturns, it is often the case that financial markets and asset prices are similarly suppressed. Facilitating more unlocking during economic downturns could effectively lock in these market losses permanently for individuals who choose to make withdrawals. When markets do rebound, these individuals would also miss out on important asset price gains, as well as years of future market gains. Locking in a market downturn and missing out on any subsequent rebound will make the goal of achieving a decent retirement even more difficult to achieve.

- Funds in locked-in accounts are generally protected from creditors, but withdrawals from those plans are likely not similarly protected. This can be an important loss of financial security associated with unlocking withdrawals, particularly for individuals experiencing financial strain. The FCAA consultation paper has not discussed this important issue.

Fairness, Conflict of Interest and Equity Issues This Proposal Raises

- Spousal benefits, survivor benefit entitlement and pension income splitting rules that are used in separation and divorce negotiations in family breakdown situations will be negatively impaired. Pension plan members who spend deferred pension benefits now, may negatively affect their spouses, who, in the event of marriage breakdown would otherwise be entitled to spousal benefits and shared pension benefits. CUPE is also concerned about the possible future negative effect on dependent children.
- The consultation paper asks if a financial institution should be responsible for reviewing and approving an application for unlocking. In our view, there are serious potential conflict of interest issues if these for-profit actors are given a legislated role in unlocking decisions. Financial industry professionals, who do not always have fiduciary duties to represent the best interests of their clients, may favour more unlocking, particularly if they are able to extract more fees to manage the newly unlocked funds. CUPE sees this as an important conflict of interest that the government should carefully consider and make every effort to resolve if government moves forward in this direction.

The consultation paper fails to outline all the serious drawbacks that unlocking can provide. In our view, this will produce consultation responses which will likely favour more unlocking due to the consultation's failure to properly outline all sides of this important issue.

Transparent and open government requires that on such a complex issue people are given enough information to make an informed decision. We suggest, given these shortcomings, the government re-start this flawed process with a properly fulsome discussion of the complicated issue of unlocking.

Conclusion

CUPE Saskatchewan is opposed to further easing of pension unlocking rules. We are opposed to allowing more unlocking in normal times, and we are opposed to this being an appropriate or fair policy response to the COVID-19 pandemic. Our shared public health emergency demands a fair, public response from our governments. We should not be making public policy decisions that unfairly shift this responsibility to individuals, particularly at the expense of their future retirement security.

The government's consultation process fails to properly outline many of the serious downsides to pension unlocking. In our view, this failure will severely limit the effectiveness and reliability of this consultation's results. As such, the government should re-start this process, complete with a more fulsome discussion of all sides of this complicated issue.

CUPE thanks the FCAA for the opportunity to participate in this consultation. We remain available to discuss these issues with FCAA representatives at your convenience.

:js/cope491; GM/tg.cope491

/nm cope 342

April 15, 2021



SHEPP

People. Pensions. Results.

April 12, 2021

Pension Division – Financial Hardship Unlocking
Financial and Consumer Affairs Authority
601 – 1919 Saskatchewan Drive
Regina SK S4P 4H2

RE: Response to Financial Hardship Unlocking Consultation

I am pleased to provide our response to the consultation paper on Financial Hardship Unlocking.

SHEPP's general belief is that funds should remain locked-in until the minimum retirement age. That said, we do support an amendment to allow for Financial Hardship Unlocking from a LIRA due to extreme circumstances and appreciate that the approach as outlined in the consultation paper aligns with the rules already in place in other Canadian jurisdictions.

The following are SHEPP's responses to the specific questions posed:

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

Yes, SHEPP supports this amendment and especially supports the concept that the unlocking can only happen from a LIRA, not a registered pension plan.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

Yes, SHEPP agrees with the four criteria under which money could be withdrawn.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

Yes, we agree there should be a limit on the frequency of withdrawals and feel that perhaps an overall lifetime limit should also be applied to prevent depletion of all retirement funds prior to retirement.

Question 4, 5, 6, 7 and 8

SHEPP agrees with all proposed requirements to withdraw funds and appreciates the alignment with other Canadian jurisdictions.

102 - 4581 Parliament Ave
Regina, SK S4W 0G3

Phone: 306.751.8300
Fax: 303.751.8301
Toll Free: 1.866.394.4440

sheppinfo@shepp.ca

www.shepp.ca

April 12, 2021

Page 2

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

Yes, SHEPP feels that a sunset clause is a prudent approach. As indicated above, our belief is that pension funds should be locked-in until the minimum retirement age. However, we also recognize the need for flexibility in uncertain times and appreciate the position the Government is in as we all navigate the uncertainties that COVID-19 brings to the citizens of our province. With that in mind we feel a sunset clause makes sense and that it would take effect after five years.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

No comment.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

Yes, anything less than mandatory would create inconsistencies and confusion.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

No comment.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

No comment.

If you have any questions, please feel free to contact me directly at 306.737.6651 or via email at amckay@shepp.ca.

Sincerely,



Alison McKay
Chief Executive Officer

Ballan, Holly FCAA

From: Valerie Fehr <Valerie.Fehr@mymutualinsurance.ca>
Sent: Tuesday, April 6, 2021 2:14 PM
To: Pensions FCAA
Subject: Financial Hardship Unlocking Consultation

There are currently two individuals that have a portion of their pension plan locked in. The amount that is locked in is small.

I don't believe this initiative would have much effect on the employees of My Mutual.

Regards,
Valerie

Valerie Fehr
(The Maverick Leader)
CEO Chief Empowerment Officer



www.mymutualinsurance.ca

Tel: 306-945-2239, Ext. 100

Cel: 306-227-2664

Fax: 306-945-4666



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Ballan, Holly FCAA

From: Tracy Sparvier <Tracy.Sparvier@ytccfs.com>
Sent: Wednesday, March 31, 2021 1:19 PM
To: Pensions FCAA
Subject: undue hardships

In regards to the criteria for withdrawing one's pension, can the undue hardship also be considered to pay up old debt to fix one's credit in order to buy a house or a vehicle?

Tracy Sparvier

Human Resource Officer

YTL-YTCCFS Inc.

Tracy.Sparvier@ytccfs.com

C - 306.620.7700

O - 306.782.8838 ext.556

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Ballan, Holly FCAA

From: MacDonald, Elizabeth AHA <emacdonald@athabascahealth.ca>
Sent: Wednesday, March 17, 2021 9:29 AM
To: Pensions FCAA
Cc: Robillard, Sheila AHA
Subject: Feedback Requested - Financial Hardship Unlocking Consultation

Good morning,

Athabasca Health Authority Group Retirement Services Policy Number 62299. Reply Comments by April 16, 2021. It has no impact on an employer. If adults need access to their retirement savings to make ends meet, they should be able to access the funds as long as the pension provider is able to ensure they understand the implications of accessing the funds early on their retirement income and/or taxes.

This is for the new unlocking rule for all new and existing locked-in retirement account (LIRA) contracts which hold locked-in pension monies pursuant to *The Pension Benefits Act, 1992*. Under the new rule, LIRA holders would be able to apply to the financial institution which issued the LIRA, for withdrawal of an amount which is within a prescribed limit, if they are experiencing financial hardship.

Thanks,

Elizabeth MacDonald

Human Resources Officer

Athabasca Health Authority

P.O. Box 124

Black Lake, Saskatchewan

S0J 0H0

(306) 439 – 4825

emacdonald@athabascahealth.ca

Ballan, Holly FCAA

From: Dan Anderson <danderson@coophail.com>
Sent: Monday, March 15, 2021 2:10 PM
To: Pensions FCAA
Subject: Financial Hardship Unlocking Consultation

Good afternoon,

I am responding to the email received asking for comments on the Financial Hardship Unlocking Consultation.

1. Given the circumstances around the global pandemic I do agree that Government should amend the regulations to allow for financial hardship unlocking of a LIRA account. I believe that we are going to be experiencing higher than normal inflation due to the pandemic which is going to affect pensioners who have set their LIRA's up in the last few years.
2. I believe that these 4 criteria are sufficient for the unlocking of a LIRA. Again pointing to #1 if inflation takes hold this could constitute the lower than expected income.
3. I believe that there should be a limit on how frequently someone can withdraw money. I would think that it should be allowed once every two years. This would make it that the pensioner would have to look at foreseeable expenses to ensure they are getting enough to make it through 2 years before being allowed to revisit unlocking more funds.
4. I agree with the formula because the Gov't of Canada consistently looks at the YMPE on an annual basis to ensure it reflects the current inflation and market conditions.
5. I don't agree with this because there are many factors that can cause this to happen with one being just stopping mortgage or rent payments to increase their standard of living beyond their means. If all that is required to report is the amount owing then this is not making it clear as to why this happened.
6. I would be in favor of this only if the pensioner can provide details as to why they stopped paying their rent and are facing eviction.
7. Yes I agree but a limit equal to that of the formula for #4.
8. I do not agree with this as it is stated. There needs to be rules around why it is required. If a pensioner sells their home to move to a rental unit what is being done with the proceeds of the sale of their existing house. If a rule is put in that the pensioner is moving from one rental property to another then due to timing it may need to do this.
9. There should be a sunset clause of no more than 2 years. Because reviews of pension standards may only be done every 5 years there may be a lag in keeping up for pensioners.
10. I do not have any concerns with financial institutions providing a statistical report to FCAA. In fact to keep it regulated it should actually be originated from FCAA so that all financial institutions provide consistent feedback.
11. I believe that this should be a mandatory item in LIRA contracts. The fact that it is there with several rules/procedures on how to access it makes it something that is in place in the event that a pensioner can't keep pace with the economy or possibly medical related.
12. I believe that the financial institution that issued the LIRA should be responsible for reviewing applications and then final approval given by FCAA.
13. I do not think that 2 months is enough time to prepare the new rules because the Financial Hardship Unlocking has many items that can be manipulated and need to be addressed before putting into place.

Regards,



Dan Anderson, Chief Operating Officer

Co-operative Hail Insurance Company Limited

2709 13th Avenue

Regina, SK. Canada S4P 3A8

Phone: 306-522-8891 Fax: 306-352-9130

Email: danderson@coophail.com

Ballan, Holly FCAA

From: Teresa Chipak <teresa.chipak@tsec.ca>
Sent: Monday, March 15, 2021 9:28 AM
To: Pensions FCAA; Ballan, Holly FCAA
Subject: Unlocking Rule LIRA

Good morning.

I am in favor of the "unlocking" rule for the locked-in retirement contracts.

There are so many people suffering and experiencing hardship/mental health issues, first and foremost due to the pandemic. It could take some time for people to get back on their feet again. There was funding provided via the government but that was just to survive day to day with food and essentials; not enough to cover large payments like mortgage, vehicle payments, etc. I feel a lot of people have had to sacrifice items in their life that otherwise would be considered a necessity; again, like mortgage and vehicle. If people paid into a pension I think that should be their funds to decide upon and yes if no funds their when they retire, again I think that is their decision. I know I was an individual who was previously able to get some funds via the Hardship rule. It allowed me to purchase my own home and give my children a home. It took away so much stress and pressure on my life. I remember the telephone call and how I cried when I heard I was able to get funds for a down payment and all the legal fees involved.

One thing I would like to add is that funds also be payable via the third party representatives; as it used to be and not via RRSP or variable Pension Plan. Why? Because I know with our entity most of our people are First Nation descent. Our representatives BMA cover a great area of First Nation clientele. Most First Nation people do not have RRSPs due to no benefit when it comes to taxation. Please lets' be fair to everyone involved and have the "hardship" funds paid via the third party Representatives.

Thank you.,

--

Teresa A. Chipak, CAFM

CFO, Treaty Six Education Council
Suite #2, 752-110th Street
North Battleford, SK S9A 2G6
Phone: [306-446-0315](tel:306-446-0315)
Email: teresa.chipak@tsec.ca
Fax: [306-446-0317](tel:306-446-0317)

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THE CANADIAN
BAR ASSOCIATION
L'ASSOCIATION DU
BARREAU CANADIEN

April 23, 2021

Via email: holly.ballan@gov.sk.ca, pensions@gov.sk.ca

Holly Ballan
Financial and Consumer Affairs Authority of Saskatchewan
Director, Pensions
Pensions Division
601-1919 Saskatchewan Drive
Regina, SK S4P 4H2

Dear Ms. Ballan:

Re: *The Pension Benefits Act, 1992 Consultation Paper – Financial Hardship Unlocking from a Locked-In Retirement Account*

The Canadian Bar Association Pensions and Benefits Law Section (CBA Section) is pleased to comment on the Financial and Consumer Affairs Authority's proposal to amend *The Pension Benefits Regulations, 1993* (Regulations). The amendments would permit early unlocking of benefits transferred to locked-in retirement savings vehicles in cases of financial hardship.

The CBA is a national association of over 36,000 members, including lawyers, notaries, academics and students across Canada, with a mandate to seek improvements in the law and the administration of justice. The CBA Section contributes to national policy, reviews developing pensions and benefits legislation and promotes harmonization. Our members are involved in all aspects of pensions and benefits law and include counsel who advise pension and benefit plan administrators, employers, unions, employees and employee groups, trust and insurance companies, pension and benefit consultants, and investment managers and advisors.

Importance of Locking-In

"Locking-in" refers to rules requiring that accumulated pension benefits be maintained for retirement. Permitting substantial unlocking would undermine the principal policy objective of private pension plans, which is to secure income to meet the needs of employees when they retire.

As a general proposition, we support continued locking-in to ensure pension benefits that accumulate on a tax deferred basis are used for retirement income, subject to specific and enumerated exemptions.

Harmonization

To address the challenges associated with Canada's multi-jurisdictional pension regulatory regime, the CBA Section has long advocated for the harmonization of pension laws. Lack of harmonization creates unnecessary regulatory burdens and increases administrative costs, creating a disincentive for the establishment and maintenance of registered pensions. Ultimately, harmonization enables broader pension coverage, promotes efficiency, and supports the sustainable accumulation of retirement benefits for employees through registered pension plans.

While we generally support locking-in rules, we recognize the need for flexibility in certain circumstances, such as financial hardship. Financial hardship unlocking currently exists in British Columbia, Alberta, Ontario, Nova Scotia, Newfoundland and Labrador, and federally registered pension plans, for locked-in accounts only. No Canadian jurisdiction currently allows unlocking of pension funds for financial hardship directly from a pension plan.

We acknowledge that the proposed amendments to the Regulations would permit limited unlocking, and only for individuals who have transferred funds from a registered pension plan into a locked-in retirement savings arrangement. Individuals who are active pension plan members and those already receiving retirement income would not be permitted to unlock their pension funds through financial hardship unlocking.

We also acknowledge that Saskatchewan LIRA holders over the age of 55 (or an earlier retirement age prescribed in the pension plan) are permitted, with spousal consent, to transfer locked-in retirement funds to a prescribed Registered Retirement Income Fund (RRIF). As the Regulations impose no limit on the amount that can be withdrawn from a RRIF, full unlocking is effectively permitted post-retirement. No other jurisdiction provides full unlocking in this manner. Accordingly, there may be less uptake of financial hardship unlocking in Saskatchewan, relative to other jurisdictions, as many LIRA holders who are past early retirement age and suffering financial hardship have an alternative means of accessing locked-in funds.

Unlocking Rules – Comparative Review

We believe a comparative review of the current rules in jurisdictions allowing limited unlocking in cases of financial hardship is instructive. See Appendix A for a detailed comparative table.

Needs Assessment: All jurisdictions allowing financial hardship unlocking incorporate a needs assessment for unlocking some or all an individual's pension funds, including where:

- (i) the individual has low expected income (in British Columbia, Alberta, Ontario, Nova Scotia, and Newfoundland and Labrador, the income must be less than 2/3 of the year's maximum pensionable earnings (YMPE). For federally regulated plans, it must be less than 75% of YMPE);
- (ii) the individual has high medical or dental expenses not covered by insurance (available in all jurisdictions but for federally regulated plans, expenses must be over 20% of income);
- (iii) the individual is at risk of defaulting on their mortgage or has fallen into rent arrears (available in British Columbia, Alberta, Ontario, Nova Scotia, and Newfoundland and Labrador but not for federally regulated plans); or
- (iv) it is necessary to pay the first month's rent and security deposit to secure a principal residence (available in British Columbia, Alberta, Ontario and Newfoundland and Labrador but not in Nova Scotia and for federally regulated plans).

Maximum amounts: The maximum amounts that may be unlocked depend on the grounds for withdrawal and the needs of the individual. For example, for low expected income unlocking applications in British Columbia, Alberta, Ontario, Nova Scotia, and Newfoundland and Labrador, the maximum withdrawal amount is 50% of YMPE minus 75% of total expected income. For unlocking applications based on risk of mortgage default or rent arrears, the maximum is the amount required to rectify default or pay arrears. Currently, only Nova Scotia and Ontario specify a minimum withdrawal amount (\$500).

Processing: In Nova Scotia and Alberta, the provincial Superintendent must process all applications. In the other jurisdictions (Ontario, British Columbia, Newfoundland and Labrador, and federal), the application for withdrawal is processed by the financial institution holding the locked-in funds. Of jurisdictions that allow applications to the Superintendent, Nova Scotia currently charges a fee (\$116.65) and Ontario instituted a waiver in April 2009. All jurisdictions that allow financial hardship unlocking generally cap the number of applications at one per year, per ground, per account.

In light of the above, the CBA Section answers the consultation questions as follows:

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

The CBA Section recognizes the importance of reforms to alleviate financial distress for pension beneficiaries who have not reached retirement age, particularly considering the economic impact of the COVID-19 pandemic. Although we generally support the continued locking-in of pension benefits, we accept the policy imperative to permit limited unlocking in cases of financial hardship. As such, we agree that Saskatchewan should amend the Regulations to allow for limited unlocking of locked-in retirement savings in cases of financial hardship.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

We support a regime for financial hardship unlocking from locked-in accounts that is consistent with and not more expansive than existing rules in other jurisdictions across Canada. This approach allows financial relief in urgent cases and increases interjurisdictional pension legislation harmonization while maintaining the integrity of the province's pensions system. We therefore support the four proposed criteria for permitting withdrawal, as they are aligned with existing regulations for financial hardship unlocking in other jurisdictions.

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

The CBA Section supports a limitation on the number of times a LIRA owner may withdraw money under financial hardship unlocking rules. One application per year, per ground, per account is consistent with other jurisdictions and strikes a reasonable balance between the policy objectives of saving for retirement and ameliorating exceptional instances of financial hardship.

Question 4: Do you agree with the formula for determining the maximum withdrawal for low income which is used in the example? If not, what do you think the formula should be?

Question 5: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of mortgage arrears, plus legal fees, for either their principal residence or that of their spouse?

Question 6: Do you agree that the LIRA owner should be able to withdraw an amount equal to the amount of rent arrears, if either they or their spouse are facing eviction?

Question 7: Do you agree that the LIRA owner should be able to withdraw an amount equal to medical costs incurred or to be incurred? Do you agree that the medical cost must be with respect to prescriptions, medical or dental treatments, or home renovations, where no payment has been made by a third party?

Question 8: Do you agree that the LIRA owner should be able to withdraw an amount equal to the first months' rent, security deposit and pet damage deposit?

For questions 4 to 8, the comparative review in Appendix A is instructive. The CBA Section supports the four proposed criteria under which money could be withdrawn: low expected income; threat of eviction or foreclosure; high incurred or expected medical costs; and securing a new principal rental residence. These criteria are consistent with those adopted in other jurisdictions where financial hardship unlocking is permitted. We further support the proposed limitations on each criterion, as specified in the consultation, as these are generally consistent with the limitations in other jurisdictions.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

The CBA Section does not support the inclusion of an automatic sunset clause in Saskatchewan's financial hardship unlocking rules. While we recognize that a sunset clause would necessarily trigger reassessment of the proposed amendments and thereby help to ensure they satisfy their intended purpose, we feel a sunset clause is unnecessary given the scope of financial hardship unlocking rules contemplated.

Although the COVID-19 pandemic led Saskatchewan to consider the proposed amendments to the Regulation, they will help fulfill the policy objective of ameliorating financial hardship arising from circumstances that will exist after, and independently of, the pandemic. In our view it would be inappropriate to implement a sunset clause for the purposes of reassessment. As indicated in the Consultation, a sunset clause would be unique amongst jurisdictions that permit financial hardship unlocking. The inclusion of a sunset clause detracts from interjurisdictional harmonization and increases administrative complexity.

Notwithstanding, the CBA Section supports review and reassessment of the proposed financial hardship unlocking rules on an ongoing basis or after a specified time. The collection of data would facilitate this process. To this end, we support the collection of data on a semi-annual basis. This aligns with the requirements of Newfoundland and Labrador and will allow close monitoring of the new unlocking provision so that required changes can be made.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

If permitted, financial hardship unlocking should be deemed to apply to all LIRA contracts. It would defeat the intent of permitting financial hardship unlocking if it were not available to all LIRA owners.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

In our view, the financial institution that issued the LIRA is best placed to review applications for financial hardship unlocking. Review by the institution that issued the LIRA will help ensure that individuals in need of financial support will receive their funds faster than if other parties were also involved. Concerns about the administration of the financial hardship provisions can be addressed through reporting by the financial institution to the Financial and Consumer Affairs Authority.

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

We take no position on a reasonable amount of time for financial institutions to prepare for the new unlocking rules.

CONCLUSION

The CBA Section appreciates the opportunity to comment on the proposed pension benefits reform. We trust our comments are helpful and would be pleased to offer further details if necessary.

Yours truly,

(original letter signed by Marc-Andre O'Rourke for Jeff Sommers)

Jeff Sommers
Chair, CBA Pensions and Benefits Law Section

APPENDIX A

**SUMMARY OF PROVISIONS FOR UNLOCKING OF RETIREMENT SAVINGS FUNDS IN ALBERTA,
BRITISH COLUMBIA, ONTARIO, NOVA SCOTIA, NEWFOUNDLAND & LABRADOR, AND FOR
FEDERALLY REGULATED PENSIONS**

	Grounds	Max. withdrawal amount	Min. withdrawal amount	Frequency of application or withdrawal	To whom is the application made?	Relevant legislation and additional info
Federal	Low expected income (less than 75% of YMPE)	50% of YMPE minus 2/3 of expected income	None	One withdrawal per calendar year, but subsequent withdrawals can be made within 30 days of first application for withdrawal.	Financial institution holding the savings vehicle	<u>Pension Benefits Standards Regulations, 1985 SOR/87-19</u> , ss 20(1)(d) (LRSPs), 20.1(1)(m) (LIFs), 20.2(1)(e) (RLSPs), 20.3(1)(m) (RLIFs) See also: OSFI unlocking info and financial hardship FAQ
	High medical expenses (over 20% of expected income)	Expected medical expenses for the 12 months following application up to 50% of YMPE				
Alberta	Low expected income (less than 2/3 of YMPE)	50% of YMPE minus 75% of total income	None	One application per calendar year, per ground, per account.	Superintendent	<u>Employment Pension Plans Regulation, Alta Reg 154/2014</u> , ss 121 (LIRAs) and 140 (LIFs) See also: program summary and FAQ
	High medical expenses (fund owner unable to pay)	Amount required to cover expenses for the 12 months following submission of application				
	Rent arrears	Amount required to pay arrears				
	Mortgage default	Amount required to rectify default				
	First month's rent and security deposit to secure principal residence	Amount required to pay first month's rent and security deposit				
BC	Low expected income (less than 2/3 of YMPE)	50% of YMPE minus 75% of total income	None	One application per calendar year, per ground, per account.	Financial institution holding the savings vehicle	<u>Pension Benefits Standards Regulation, BC Reg 71/2015</u> , ss 110 (LIRAs) and 129 (LIFs) See also: information included with application form

	Grounds	Max. withdrawal amount	Min. withdrawal amount	Frequency of application or withdrawal	To whom is the application made?	Relevant legislation and additional info
	Rent arrears	Amount required to pay arrears				
	Mortgage default	Amount required to rectify default				
	First month's rent and security deposit to secure principal residence	Amount required to pay first month's rent and security deposit				
Ontario	Low expected income (less than 2/3 of YMPE)	50% of YMPE minus 75% of total income	\$500	One application per calendar year, per ground, per account. (But more than one application for medical expenses can be filed provided the expenses are incurred by different people)	Financial institution holding the savings vehicle	<u>General. RRO 1990, Reg 909</u> under Pension Benefits Act, RSO 1990, c P.8, Schedule 1, ss 10.1 – 10.4 (Old LIFs); Schedule 1.1, ss 11.1 – 11.4 (New LIFs); Schedule 2, ss 9.1 – 9.4 (LRIFs); Schedule 3, ss 8.1 – 8.4 (LIRAs) See also: <u>FSRA User guide for Financial Institutions</u>
	High medical expenses	Lesser of a) 50% of YMPE, and b) medical expenses already incurred and expected to be incurred in 12 months after application made				
	Rent arrears/mortgage default	Lesser of a) 50% of YMPE, and b) amount of arrears or debt in default plus rent payable or mortgage and interest payments for 12 months after application made				
	First and last months' rent to secure principal residence	Lesser of 5% of YMPE and first and last months' rent				
Nova Scotia	Low expected income (less than 2/3 of YMPE)	50% of YMPE minus 75% of total income	\$500	One application per calendar year, per ground, per account. (But no subsequent application for rent arrears or mortgage default where previous application has been granted)	Superintendent	<u>Pension Benefits Regulations, NS Reg 200/2015</u> , ss 212 to 230
	High medical expenses (fund owner unable to pay)	Amount required to cover expenses for the 12 months prior to and 12 months following submission of application				
	Rent arrears	Amount required to pay arrears				

	Grounds	Max. withdrawal amount	Min. withdrawal amount	Frequency of application or withdrawal	To whom is the application made?	Relevant legislation and additional info
	Mortgage default	Amount required to rectify default				
Nfid	Low expected income (less than 2/3 of YMPE)	50% of YMPE minus 75% of total income	None	One application per calendar year, per ground, per account.	Financial institution holding the savings vehicle	<u>Pension Benefits Act, 1997, SNL 1996 c P-4.01, s. 44.1</u> See also: <u>program summary and FAQ</u>
	High medical expenses	Amount required to cover expenses for the 12 months following submission of application				
	Mortgage default	Amount required to rectify the default				
	Rent arrears	Amount required to pay arrears				
	First and last months' rent to secure principal residence	Amount required to pay first month's rent and security deposit				

Submission to the Government of Saskatchewan on the Consultation on Financial Hardship Unlocking from a Locked-in Retirement Account

Canadian Life and Health Insurance Association
April 2021

The Canadian Life and Health Insurance Association (CLHIA) is a voluntary association with member companies which account for 99 per cent of Canada's life and health insurance business. The life and health insurance industry is a significant economic and social contributor in Canada.



\$63 million in provincial tax contributions

\$11 million in corporate income tax

\$5 million in payroll and other taxes

\$47 million in premium tax



Investing in Saskatchewanians

\$25 billion in total invested assets

98% held in long-term investments

The industry also plays a key role in providing a social safety net to the people of Saskatchewan.



Protecting 910,000 Saskatchewanians

730,000 with drug, dental and other health benefits

630,000 with life insurance averaging **\$256,000** per insured

340,000 with disability income protection



\$3 billion in payments to Saskatchewanians

\$1.7 billion in annuities

\$0.9 billion in health and disability claims

\$0.4 billion in life insurance policies

Our industry is pleased to provide its comments on the province's consultation about amendments to the *Pensions Benefits Act, 1992* ("PBA") regarding the unlocking of locked-in pension benefits. Our industry greatly appreciates the opportunity to provide input on this matter.

CLHIA members recognize the importance of governments considering a wide array of policy levers to assist Canadians that are experiencing financial pressures. However, it is our view that funds sourced in pension plans should, in general, be preserved in order to provide secure, adequate, post-retirement income. That is why CLHIA members deem it essential that proper controls and requirements are put in place to prevent excessive and inappropriate unlocking of locked-in pension funds that are intended to provide retirement income security.

We therefore believe that withdrawals from locked-in pension funds should be limited to a small set of specified purposes and should require adequate supporting documentation. For example, the classes of financial hardship could include the following:

- Housing (rent payments, first/last month's rent, foreclosure on principal residence/ mortgage default, eviction due to rent arrears);
- Low to no income (subject to a specific dollar threshold); and
- Medical expenses not covered under a group or individual benefits plan.

We would also strongly recommend that Saskatchewan consider harmonizing legislation for unlocking locked-in pension funds wherever possible with other provinces that have introduced such provisions, such as Alberta. In our opinion, harmonization increases transparency and fairness for consumers across Canada and lowers administrative costs, which ultimately benefits consumers.

We offer the following additional comments for your consideration.

Types of Locked-in Funds

Regarding which types of locked-in pension funds should be considered for unlocking, we believe that the PBA should allow for funds within Locked-in Retirement Accounts (LIRA), Life Income Funds (LIF), and Locked-in Retirement Funds (LRIF) to be considered for unlocking for the purposes of financial hardship. This is consistent with other pension jurisdictions. We also support that province's position that active pension plan members will not be considered.

Frequency

We believe that the frequency of unlocking locked-in pension funds for financial hardship should not be more than once a year per category. Again, we would recommend harmonizing with other provinces on this provision.

For purposes of determining what year the application was made, we recommend the key date should be the date (and year) the completed application, with all required accompanying documents, is received by the financial institution. An incomplete application should not be accepted even if it was first received in the previous calendar year. There should be clear instructions on the withdrawal application whether a new application would be required if the completed application is now received in a new calendar year based on an incomplete application made in the previous year.

Maximum Amount for Unlocking Due to Low Expected Income

We support the introduction of a limit on the amount of funding that can be unlocked by a LIRA plan member. The amounts suggested within the province's consultation document (e.g. 75% of expected income for the next year less 50% of the Year's Maximum Pensionable Earnings (YMPE) is acceptable for consideration). However, we believe there should be an annual limit and overall lifetime limit specified, taking into account the age of the plan member and their health status. It is also important that the province develops guidelines on how to handle scenarios when an individual owns more than one locked-in account at the same or multiple institutions. The province may wish to look to harmonize with the guidelines and limits introduced by other provinces.

Funds Required to Secure New Principle Rental Residence

The CLHIA supports LIRA owner's ability to withdraw amounts in order to secure a new principle rental residence, however, the amounts the available amounts should also include last month's rent, in addition to first month's rent, security and pet damage deposits.

Application Form

We recommend that the application form be self-explanatory and comprehensive enough that the information provided within the application form is sufficient for a financial institution to process without significant engagement with the customer after receipt. Further, as you are aware the province currently allows for a small amount of unlocking where (1) a qualified medical practitioner has certified that the individual has a considerably shortened life expectancy, (2) the pension is determined to be a small balance, or (3) the plan member is a non-resident of Canada. In our opinion, these options should be clearly highlighted in the application form so that customers are aware, in the event that they can't meet other requirements, that they may be eligible to qualify under these considerations.

Spousal Consent

The CLHIA recommends that the province's requirement for a spousal waiver is consistent with the other provinces. It is also important to note that there may be special circumstances where requiring a signature by a witness who is physically present is difficult to achieve. We would therefore ask for flexibility regarding the physical presence of the spouse to consent to financial hardship unlocking. For instance, allowing the witnessing to be accomplished through the use of technology, such as video conferencing, could be a solution in a non-face-to-face environment.

Sunset Clause

The CLHIA is not supportive of a sunset clause in respect of the new unlocking provisions as it may encourage plan members to access funds that they may not currently need in anticipation of the provisions being eliminated in the near future. If a sunset clause is used in respect of the unlocking provisions, detailed transition rules should be provided to contemplate in-transit applications or near-completed requests to ensure a smooth transition for both plan administrators and plan owners.

An alternative option to a sunset clause is to review the financial hardship provisions, including a public consultation, in 5 years to revisit their importance and determine a reasonable timeframe to repeal the applicable provisions, with appropriate transition rules.

The CLHIA is also not supportive of financial institutions providing statistical reports to the FCAA as this would most likely be manual in nature, with the cost far outweighing the benefit. Alternatively, if statistical reporting was required, for consistency, we suggest that the report be structured the same as the statistical reporting recently introduced in Newfoundland and Labrador. To align with Newfoundland and Labrador statistical reporting, we recommend the timing to be semi-annual.

Mandatory Provision

The CLHIA is supportive of a mandatory provision in LIRA contracts to allow for financial hardship unlocking, without having to amend existing contracts, allowing for consistent administration of all contracts.

Administration of the Provision

The CLHIA also agrees that the financial institution who issued the LIRA should be responsible for reviewing the financial hardship applications, which is consistent with other jurisdictions.

Timing of Amendments

The CLHIA is supportive of a lead-time of 4-6 months in order for financial institutions to appropriately prepare their processes and systems for these new financial hardship provisions.

The CLHIA recommends that financial institutions have an opportunity to review draft Regulations, forms, and other related financial hardship documents in sufficient time prior to their release which would allow their implementation to be expedited and avoid any potential issues.

We would be happy to discuss these further should the province want to consider additional options for unlocking.

Thank you for your consideration of our comments noted above. We would be pleased to expand on these concerns should you wish to discuss any of the issues identified in our comments. Please feel free to contact me at 416-359-2047 or by email at nsimon@clhia.ca.



PENSION PLAN

April 15, 2021

Pension Division – Financial Hardship Unlocking
Financial and Consumer Affairs Authority
601 – 1919 Saskatchewan Drive
Regina SK S4P 4H2

Via email: pensions@gov.sk.ca

RE: Response to Consultation on Financial Hardship Unlocking

The Co-operative Superannuation Society Pension Plan (“CSS”) is one of the oldest and largest defined contribution pension plans in Canada. It manages over \$5 billion on behalf of its members and serves 313 employer members and over 51,000 of their current and past employees. We appreciate the opportunity to provide our response to the FCAA’s Financial Hardship Unlocking consultation.

CSS believes that registered pension plan funds should remain locked-in until retirement age is achieved; however, we appreciate the rationale for considering an exception for financial hardship reasons. We also note that the introduction of such a financial hardship unlocking exception in Saskatchewan would bring further legislative harmonization with other jurisdictions. Should an exception for financial hardship be introduced, we agree that application of the provisions should be limited to LIRA accounts as contemplated in the consultation paper.

Question 1: Do you agree the Government should amend the Regulations to allow for Financial Hardship Unlocking from a LIRA?

CSS supports Financial Hardship Unlocking from a LIRA account.

Question 2: Do you agree with the four criteria under which money could be withdrawn? Do you feel there should be any additional criteria?

CSS agrees with the four criteria and we also agree with the principle of harmonizing Saskatchewan’s implementation of the criteria with other Canadian jurisdictions.



PENSION PLAN

Question 3: Do you agree that there should be a limit on how frequently a LIRA holder can withdraw money under Financial Hardship Unlocking? If so, what do you feel the limit should be?

CSS agrees that consideration should be given to balancing the short-term financial hardship need and the long-term retirement income need that the funds were originally intended to support.

We cannot foresee financial hardship needs of Saskatchewanians being markedly different than other Canadians so we support financial hardship unlocking provisions that are harmonized with other jurisdictions in Canada where these provisions already exist.

Question 4, 5, 6, 7 and 8

Given the proposed harmonization of financial hardship unlocking provisions with other Canadian jurisdictions, CSS is in agreement with the proposals laid out in the consultation paper for these questions.

Question 9: Should there be a sunset clause in the Financial Hardship Unlocking provisions in the Regulations? If so, what do you feel is the correct number of years for the sunset to take effect?

CSS does not support a sunset clause as it introduces a new inconsistency with pension legislation in other jurisdictions.

Question 10: Do you have any concerns with financial institutions providing a statistical report to the FCAA? If you do not have any concerns, should the report be semi-annual or annual?

CSS believes this question is best answered by financial institutions that issue LIRA accounts so has no comment.

Question 11: Do you agree with Financial Hardship Unlocking being a mandatory provision in LIRA contracts?

Should Financial Hardship Unlocking be introduced, we agree that it should be a mandatory provision in LIRA contracts.

Question 12: Do you agree that the financial institution who issued the LIRA should be responsible for reviewing the applications for Financial Hardship Unlocking?

CSS believes this question is best answered by financial institutions that issue LIRA accounts so has no comment.



PENSION PLAN

Question 13: Is two months enough time for financial institutions to prepare for the new rules?

CSS believes this question is best answered by financial institutions that issue LIRA accounts so has no comment.

Thank you for the opportunity to respond to this consultation. Should you require any further information from us, please do not hesitate to contact us.

Sincerely,

Martin McInnis
Executive Director
CSS Pension Plan