

Information



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Life Income Fund (LIF) and Locked-In Retirement Income Fund (LRIF) Maximum Annual Income Payment Amount Table

Purpose

This guidance replaces PE0196INF (2020 Life Income Fund (LIF) and Locked-In Retirement Income Fund (LRIF) Maximum Annual Income Payment Amount Table) as of the effective date of this guidance.

Scope

This guidance affects providers of LIFs and LRIFs that hold Ontario regulated pension funds.

Rationale and context

The rules for determining the maximum annual income payment for an Ontario LIF that is subject to Schedule 1 to Regulation 909 under the *Pension Benefits Act* (the Regulation), a LIF that is subject to Schedule 1.1 to the Regulation and an LRIF that is subject to Schedule 2 to the Regulation became harmonized on January 1, 2011. This guidance describes how to

calculate the maximum annual income payment for each.

For the purpose of this guidance, a LIF that is subject to Schedule 1 to the Regulation will be referred to as a "Pre-2009 LIF", and a LIF that is subject to Schedule 1.1 to the Regulation will be referred to as a "Post-2008 LIF". An LRIF that is subject to Schedule 2 to the Regulation will continue to be referred to as an LRIF. A reference to a LIF without specifying Pre-2009 or Post-2008 applies to both the Pre-2009 LIF and the Post-2008 LIF.

For additional information about specific rules that apply to the maximum annual income payments in certain circumstances, including under the federal *Income Tax Act* (Canada), please refer to FSCO pension policies L200-305 (Old LIFs) (FSRA guidance PE0151ORG), L200-303 (New LIFs) (FSRA guidance PE0150ORG) and L200-501 (LRIFs) (FSRA guidance PE0153ORG).

Information

Maximum annual income payments from a Pre-2009 LIF or LRIF

After December 31, 2008, individuals could not purchase a Pre-2009 LIF or LRIF and money could not be transferred to existing Pre-2009 LIFs or LRIFs. Section 6 of Schedules 1 and 2 to the Regulation provides that the maximum income amount that may be paid from a Pre-2009 LIF or an LRIF for any fiscal year is the greater of the following amounts:

1. The investment earnings, including any unrealized capital gains or losses, of the Pre-2009 LIF or LRIF in the previous fiscal year; and
2. The amount calculated using the formula,

C/F, in which

'C' is the value of the assets in the Pre-2009 LIF or LRIF at the beginning of the fiscal year, and

'F' is the present value, at the beginning of the fiscal year, of an annuity of \$1 payable annually in advance over the period commencing at the beginning of the fiscal year and ending on December 31 of the year in which the owner reaches 90 years of age.

Maximum annual income payment from a Post-2008 LIF

Section 6 of Schedule 1.1 to the Regulation provides that the maximum income amount that may be paid from a Post-2008 LIF for any fiscal year is the greatest of the following amounts:

1. The investment earnings, including any unrealized capital gains or losses, of the Post-2008 LIF in the previous fiscal year;
2. The amount calculated using the formula,

C/F, in which

'C' is the value of the assets in the Post-2008 LIF at the beginning of the fiscal year, and

'F' is the present value, at the beginning of the fiscal year, of an annuity of \$1 payable annually in advance over the period commencing at the beginning of the fiscal year and ending on December 31 of the year in which the owner reaches 90 years of age.

and

3. If the money in a Post-2008 LIF is derived from money transferred directly from an Pre-2009 LIF, another Post-2008 LIF or an LRIF, and if the income is being paid out of the receiving Post-2008 LIF in the fiscal year following the fiscal year in which the receiving Post-2008 LIF is established, the sum of:

- a. the investment earnings, including any unrealized capital gains or losses, of the transferring Pre-2009 LIF, Post-2008 LIF or LRIF in the previous fiscal year, and
- b. the investment earnings, including any unrealized capital gains or losses, of the receiving Post-2008 LIF in the previous fiscal year.

Maximum annual income payment table

The maximum annual income payment formula described in point 2 in each of the sub-headings above produces maximum percentage amounts of a Pre-2009 LIF, Post-2008 LIF or LRIF that can be paid to the owner of the account in a particular year. The formula produces different maximum percentages depending on the age of the account owner.

The value for "F" in the formula uses interest rate information that is compiled by Statistics

Canada (CANSIM series V122487), and the resulting percentage amounts will only change from year to year if the applicable interest rate information for the year is greater than 6.00%. In recent decades, the applicable interest rate information has been below 6.00% every year.

As a result, unless this guidance is subsequently replaced because the applicable interest rate information for a future year is greater than 6.00%, the table at the end of this guidance sets out the maximum annual income percentage payable under the formulas under point 2 in each of the sub-headings above, for any year. The interest rate information used for value “F” in the formula is therefore:

1. 6.00%, which represents the greater of the CANSIM V122487 rate (the long-term Government of Canada bond rate) for November of the applicable year and 6.00%, for the first 15 years, and
2. 6.00% for the sixteenth and each subsequent fiscal year.

Percentages shown in the table must be prorated for the initial fiscal year if less than twelve months. Part of a month is treated as a full month.

Effective date and future review

This guidance is effective January 1, 2021.

About this guidance

Information guidance describe FSRA’s views on certain topics without creating new compliance obligations. Visit FSRA’s [Guidance Framework](#) to learn more.

Appendices and reference

Appendices

Appendix A: maximum annual income payment amount table for an Ontario LIF or LRIF

(Using C/F formula in section 6 of Schedules 1, 1.1 and 2 to the Regulation)

Age attained during year	Number of years to the end of the year in which age 90 is attached	Maximum payment as a percentage of the LIF or LRIF balance at start of fiscal year*
41	50	5.98531%
42	49	6.00600%
43	48	6.02808%
44	47	6.05167%
45	46	6.07687%
46	45	6.10382%
47	44	6.13265%
48	43	6.16350%

Age attained during year	Number of years to the end of the year in which age 90 is attached	Maximum payment as a percentage of the LIF or LRIF balance at start of fiscal year*
49	42	6.19655%
50	41	6.23197%
51	40	6.26996%
52	39	6.31073%
53	38	6.35454%
54	37	6.40164%
55	36	6.45234%
56	35	6.50697%
57	34	6.56589%
58	33	6.62952%
59	32	6.69833%

Age attained during year	Number of years to the end of the year in which age 90 is attached	Maximum payment as a percentage of the LIF or LRIF balance at start of fiscal year*
60	31	6.77285%
61	30	6.85367%
62	29	6.94147%
63	28	7.03703%
64	27	7.14124%
65	26	7.25513%
66	25	7.37988%
67	24	7.51689%
68	23	7.66778%
69	22	7.83449%
70	21	8.01930%

Age attained during year	Number of years to the end of the year in which age 90 is attached	Maximum payment as a percentage of the LIF or LRIF balance at start of fiscal year*
71	20	8.22496%
72	19	8.45480%
73	18	8.71288%
74	17	9.00423%
75	16	9.33511%
76	15	9.71347%
77	14	10.14952%
78	13	10.65661%
79	12	11.25255%
80	11	11.96160%
81	10	12.81773%

Age attained during year	Number of years to the end of the year in which age 90 is attached	Maximum payment as a percentage of the LIF or LRIF balance at start of fiscal year*
82	9	13.87002%
83	8	15.19207%
84	7	16.89953%
85	6	19.18515%
86	5	22.39589%
87	4	27.22561%
88	3	35.29338%
89	2	51.45631%
90	1	100.00000%

* The maximum annual income payment percentage is calculated on the basis of a twelve-month fiscal year to December 31, using the interest rate information on page 3 of this guidance.

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