Manitoba

THE PENSION BENEFITS ACT REVIEW

CONSULTATION PAPER

Department of Labour and Immigration

May 12, 2025

The Pension Commission of Manitoba (Commission) actively promotes the establishment, extension and improvement of pension plans throughout Manitoba, the reciprocity between pension plans and the further protection of rights under pension plans.

The Commission must review The Pension Benefits Act of Manitoba (Act) at least once every five years and report its findings and recommendations to the Minister of Labour and Immigration.

The Commission has identified potential areas of legislation, outlined in this Consultation Paper, to be considered during the review process.

The Office of the Superintendent – Pension Commission manages the day-to-day administration of the Act. This Act governs Manitoba's registered pension plans run by employers, groups of employers or unions for their employees or members.

Feedback from individuals, pension plan sponsors, pension plan consultants/actuaries, financial institutions and industry organizations on the discussion questions raised in this Consultation Paper are welcome and encouraged.

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1 – How to participate

Submissions on the discussion questions in this Consultation Paper may be submitted by email to pensions@gov.mb.ca. Written submissions can be sent to the following address:

Office of the Superintendent – Pension Commission
500 – 400 St. Mary Avenue
Winnipeg MB R3C 4K5

The closing date for submissions is **June 25, 2025**.

2 – Expanding current unlocking provisions

All jurisdictions permit locked-in pension funds to be accessed under certain conditions. Only the amount that can be unlocked and the conditions for unlocking these funds varies.

Manitoba's current unlocking provisions for Locked-in Retirement Accounts (LIRAs) and Life Income Funds (LIFs) include:

- Small amounts of less than 40% of the year's maximum pensionable earnings ($28,520.00 for 2025);
- Shortened life expectancy of less than two years;
- Canadian non-residency of two years or more;
- LIF and LIRA owners who are at least age 55 may apply for a one-time transfer of up to 50% of the balance in their LIFs and LIRAs, or

locked-in pension benefit credits (if the pension plan permits) to a prescribed Registered Retirement Income Fund (PRRIF) that is not locked-in;

- Financial hardship unlocking under certain circumstances which include low expected income, medical and dental expenses, rental and mortgage arrears; and
- Full unlocking from a LIF and LIRA at age 65.

Some pension plans have an unlocked variable benefit account to which a retiring member can choose to transfer the value of their pension benefit at retirement. This provides the member with an additional retirement investment option not currently available in Manitoba.

Discussion questions

1. Should the one-time transfer at age 55 be expanded to include the option of transferring to an unlocked account within a pension plan with the same characteristics as a PRRIF, if permitted by the plan?
2. Should full unlocking at 65 be expanded to include full unlocking from a pension plan at age 65, if permitted by the plan?
3. Should any other unlocking provision changes be considered?

3 – Improving Defined Benefit Plans

A defined benefit pension plan is a plan where the pension benefit a member will receive is based on a formula, which usually considers services and earnings.

This type of plan can be contributory, where employees and employers make pension contributions, or non-contributory, where only the employer makes contributions. A member's pension benefit at retirement can be estimated in advance.

There are currently 71 defined benefit pension plans in Manitoba with more than 135,000 active members.

Discussions questions

4. What changes to current legislation would encourage employers or plan sponsors to create new defined benefit plans?
5. Are there any current legislative requirements that should be adjusted to improve or facilitate the administration of defined benefit plans?

4 – Improving Defined Contribution Plans

A defined contribution or money purchase plan is a plan in which the plan member receives, at retirement, the pension that can be bought based on the value of their contributions (if any) and the employer contributions made on the member’s behalf, with interest.

A simplified money purchase pension plan (SMPPP) is a type of defined contribution plan best suited for Manitoba employers with 250 or fewer employees. The SMPPP is administered by a financial institution with minimal employer involvement.

The number of new defined contribution plans has decreased over the years while the number of employers participating in simplified money purchase plans has increased. There are currently 257 defined contribution pension plans in Manitoba with more than 60,000 active members

Discussions questions

6. What changes to current legislation would encourage employers to create new defined contribution plans?
7. Are there any legislative barriers discouraging employers from continuing to operate existing defined contribution plans?

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5 – Variable Payment Life Annuities

The federal government enacted amendments to the Income Tax Act (Canada) in 2021 to permit Variable Payment Life Annuities (VPLAs), as a way to improve flexibility when accessing pension funds and reduce longevity risks for defined contribution plan members.

In a VPLA, a plan member's funds are pooled with those of other plan members and invested in a combined portfolio of stocks and bonds. Payments from the VPLA are based upon the performance of the combined portfolio.

A VPLA can only receive funds from a defined contribution pension plan or pooled registered pension plan member accounts. Employee or employer contributions cannot be directly made to the VPLA.

Currently a terminated defined contribution plan member can transfer their pension benefit to a LIRA or to another pension plan (if the plan permits).

Discussion question

8. Should Manitoba permit registered defined contribution plans to offer the option of transferring a plan member's pension benefit to a VPLA when the member terminates employment?

6 – Annuity Discharge Legislation

Currently when a Manitoba registered pension plan purchases annuities for its members, the annuity purchase does not relieve pension plans of the risk should the insurer collapse.

Quebec was the first province to enact annuity discharge legislation in 2016, followed by British Columbia, Ontario, New Brunswick and Nova Scotia. Similar legislation is expected to follow shortly in Saskatchewan and in the federal bill C-228.

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Annuity discharge legislation outlines specific requirements to be met, including, but not limited to:

- confirmation that benefits provided for under the annuity are the same as those that would have been provided under the pension plan.
- the insurance company is authorized to sell annuities in Canada.
- all affected persons are to be notified.
- information required to be filed with the regulator.

Discussion question

9. Should Manitoba adopt annuity discharge legislation for pension plans purchasing annuities for plan members?

7 – Other Pension Legislation Items to be Considered

The Commission is responsible for actively promoting the establishment, extension and improvement of pension plans throughout Manitoba and the further protection of rights under pension plans.

A review of the Act will provide the opportunity to identify and to recognize changes that have occurred in the pension industry since the last review and areas of legislation that may need modernization or clarification.

Discussion question

10. Should any other items not mentioned in the Consultation Paper be considered during the Act review?

8 – Glossary of pension terms

Accrued Pension - Amount of pension earned up to a given date by a member according to employment, earnings, etc.

Defined Benefit Pension Plan – A plan in which a member earns a pension based on service and earnings.

Defined Contribution Pension Plan – A plan in which a member receives a pension that is based on the contributions the member and/or the employer made, plus interest.

Life Income Fund (LIF) – An account, subject to the locking-in requirements of the Act, which provides the owner with income each year subject to minimum and maximum withdrawal rules.

Locked-In Pension Funds - Legislative requirement that pension benefits cannot be withdrawn as a lump sum and must be used to provide lifetime retirement income.

Locked-In Retirement Account (LIRA) - A account, subject to the locking-in requirements of the Act, which holds locked-in pension funds, until transferred to a LIF or to an insurance company to purchase an annuity.

Member - An employee or former employee who is accruing, entitled to, or receiving a pension under the plan.

Prescribed Registered Retirement Income Fund (PRRIF) - A RRIF contract that only allows transfers to the RRIF from a LIRA, LIF, another pension plan (if the plan permits) or another prescribed RRIF.

Year's Maximum Pensionable Earnings (YMPE) - Employment earnings on which Canada Pension Plan contributions and benefits are calculated. The YMPE in 2025 is $71,300.00.