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Pension Benefits Legislation Consultation  
Department of Justice and Public Safety  
Consumer, Corporate and Insurance Division  
4<sup>th</sup> Floor Shaw Building  
95 Rochford Street  
PO Box 2000  
Charlottetown, PEI  
C1A 7N8

Dear Sir or Madam:

**Re: Consultation on Bill 30 Pension Benefits Act**

Advocis welcomes the opportunity to provide its views on PEI's proposed *Pension Benefits Act* Consultation Paper, and in particular, the questions regarding the vesting of funds, locking-in rules and unlocking rules.

Advocis is Canada's oldest and largest voluntary professional membership association of financial advisors and planners. Our association was founded in 1906 as the Life Underwriters Association of Canada. We represent life and health insurance licensees and mutual fund and securities registrants across the country. Our members are primarily owners and operators of their own small businesses who create thousands of jobs across Canada.

Advocis members are professional financial advisors who provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans, disability coverage, long-term care and critical illness insurance to millions of Canadian households and businesses. In addition, our members provide retirement planning and investment advice to employees with pension plans and many of our members establish and administer pension plans for businesses.

Retirement planning is a priority for millions of Canadians and our members work with individuals, families and businesses in achieving their financial objectives. Advocis financial advisors maintain lasting relationships with their clients based on trust. They take a long-term planning perspective and are helping to guide clients, young and old, individuals, families and businesses during these tough times of economic downturn and financial market turmoil.

Professional financial advisors and financial planners are a vital component of the financial services sector. They help Canadians save, invest and plan intelligently.

It is vitally important that individual Canadians and businesses have access to and be served by professional financial advisors and financial planners, to help them

understand their financial needs and prospects, to save, to invest prudently, to address a variety of risks, and to meet future financial needs and their retirement planning goals.

### **General Comments**

Advocis has established a Retirement Income Adequacy Committee whose mandate is to identify retirement and pension issues that are of concern to Canadians and to promote a sound retirement income system in Canada including reforms to improve retirement income adequacy for Canadians now and in the future.

It is generally recognized that many Canadians do not have adequate retirement savings accumulated for their retirement and that increasing participation in pension plans should be a key priority of governments.

In general, Advocis is of the view that funds in a pension plan should be preserved for use during a person's retirement and not used for other purposes. Our specific comments on the questions asked in the Consultation Paper follow below.

### ***Vesting Question: Should the legislation maintain the proposed two year vesting threshold?***

The current two year 100% vesting rule should be replaced by gradual vesting over a 3-year period from the date of plan enrolment, with 1/3 at the end of the first year, 2/3 at the end of the second year and full vesting at the end of the third year (the employees contributions are, of course, fully vested from the beginning). This would provide employers with a greater incentive to establish a pension plan. The employee would also have a greater incentive to remain with the company over a longer period, while at the same time, providing some compensation to employees who leave the company before the three-year period. With this approach, employees always receive their money plus a share of the employer's money at termination of employment. Non-vested forfeitures should only be used to offset an employer's current service contributions.

### ***Locking-in Question: Should the legislation include any other exceptions than the proposed two exceptions for a small amount and for shortened life expectancy?***

Advocis believes that the legislation should be modified to allow for withdrawals in the case of financial hardship and if a non-resident of Canada in addition to the exceptions for small amounts and considerably shortened life expectancy. This would promote harmonization with other jurisdictions. Advocis would also recommend allowing 25% unlocking at age 55.

Advocis believes that there should be unlocking of funds from a locked-in retirement account in situations of financial hardship. We refer the Government to the Ontario rules regarding unlocking of pension funds which allows unlocking of funds in the following situations: in cases of low income; if there is risk of eviction from a principal residence or rental premises; to access the funds for medical treatment for the person, their spouse or dependents; and if needed for residential renovations, alterations or construction to accommodate the use of a wheelchair, or other needs related to a disability or illness.

An application would be provided to the Financial Services Regulation Division of Government Services. Payment of an application fee should not be a barrier to the process of accessing funds in situations of financial hardship.

Unlocking of locked-in accounts such as LIRAs, LIFs and LRIFs should be allowed after reaching the age of 55 and should be limited to 25% to provide for greater security that sufficient funds will remain to service the person over their remaining retirement years.

The unlocking of the 25% should not be limited to a one-time opportunity to unlock but rather there should be a periodic opportunity to unlock (on an annual basis, for example). This would ensure that people do not unnecessarily unlock 25% when they do not have a pressing need to do so but nonetheless unlock the funds as a result of it being their only opportunity to do so.

***Application and Registration Question: Should the proposed transition period be three years?***

Advocis has no comment on this question.

Advocis appreciated the opportunity to provide its comments on the Consultation Paper arising from Bill 30's Pension Benefits Act. Advocis would be pleased to discuss the issues raised further should you wish to do so.

Yours sincerely,



Greg Pollock, M.Ed., LL.M., C.Dir., CFP  
President and CEO



Robert McCullagh CFP, CLU, CH.F.C., RHU  
Chair, National Board of Directors