Canadian Institute of Actuaries / Institut canadien des actuaires

November 15, 2018

Consultation on Disbursement Rules
Direction des régimes complémentaires de retraite
P.O. Box 5300, Québec City, Québec
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Subject: Consultation on disbursement rules

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Its members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.

This letter follows the letter from Michel Montour received by Michel Simard on September 28, 2018 regarding the consultation on disbursement rules undertaken by Retraite Québec. The CIA is pleased to have the opportunity to take part in that consultation. We also appreciate Retraite Québec's sustained efforts to address innovative solutions related to retirement.

The *Document de consultation – Règles de décaissement* contains 25 questions to which Retraite Québec seeks responses.

Foreword

It has been recently noticed that workers are now staying active longer than in past decades, and we anticipate that this trend is likely to continue. However, analysts from Retraite Québec have shown that workers are not delaying receipt of their government pension benefits along with their retirement. This may mean that older workers are using government benefits as income supplements while they are working, particularly to help address financial needs, instead of using their personal savings first and maximizing their retirement income from public plans by deferring the start of payment of those benefits. Public plan annuities represent a significant portion of retirement income, similar to defined benefits (DB), and deferring the start of their payments leads to higher benefits. Public plan annuities often constitute the only source of DB income for many retirees, and are backed by a solid guarantee along with protection against longevity and inflation risks.

Prioritizing savings as a source of income between the date of retirement and the date when public plan annuities start has the following advantages for workers:

- Reduced exposure to investment and inflation risk;
- Sound management of the longevity risk;
- An annual rate of return practically guaranteed of 6 percent; and
- Simplified disbursement planning by using a specified period (instead of spreading over an unknown horizon).

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Consequently, we would be in favour of the following measures and principles:

- Permission to extend temporary retirement income to age 75;
- Delayed cut-off age for the start of public plan annuities from age 70 to 75 with actuarial adjustment; and
- Enhanced harmonization of the rules applicable to pension plans across Canada.

Our recommendations apply to defined benefit (DB) and to defined contribution (DC) pension plans. Clarifications are provided as applicable in the event of specific considerations in either case.

In the interest of harmonization, given that it is already permitted in several provinces (as well as under federal plans), the CIA would support a lump sum disbursement rule corresponding to 50 percent of savings. However, such lump sum withdrawals could present challenges to rules on DB plans, namely in regard to investment matching. The CIA suggests that such a measure should not be imposed on DB plans, and to instead let plan sponsors decide whether to offer that option. We also think that DB plans should be required to offer members replacement of part of their life annuity by a temporary pension payable, no longer only until age 65 like now, but rather until age 70 under current rules regarding the delay of the public plans annuities, and age 75 if the government acts on our proposal to modify the Québec Pension Plan (QPP). Moreover, for the purpose of aligning that 50 percent lump sum withdrawal limit and the temporary income, we suggest the following:

- Raising the maximum temporary income threshold from 40 percent to 50 percent of the maximum pensionable earnings (MPE).
- Setting the annual temporary income limit as the sum of the maximum annuities payable under the QPP and Old Age Security (OAS) (which corresponds to approximately 40 percent of the MPE at age 65 under current rules or between 50 percent and 55 percent at age 70 based on what we are currently proposing, and eventually between 65 percent and 75 percent at age 75), which would allow for an annual adjustment of the maximum.
- Allow spreading the lump sum limit of 50 percent over more than one lump sum withdrawal, where the permitted withdrawal and temporary income amounts would at all times have to remain within the prescribed limits.
- Modifying the rules put in place for the lump sum and the temporary income to allow a person to accelerate the disbursement of all savings in cases where they do not generate the maximum temporary income up to age 70 under the current rules (age 75 if the government acts on our proposal). In such a case, the portion that exceeds the 50 percent limit should be paid in the form of temporary income.
- Adjusting life income for any draw on savings in the form of withdrawal(s) and temporary income.

We are somewhat concerned about the possibility that certain individuals may use the temporary income option without deferring their public plan benefits and without being aware of the potential negative impact, which could be exacerbated by the proposed changes. The CIA

supports more flexibility in disbursements, as long as it promotes optimal use of members' savings along with the public benefits under the QPP and OAS. However, it is possible that certain members may not use the disbursement optimally, and decide to still draw on their public annuities as early as possible. Thus, we encourage Retraite Québec to think about introducing communication tools and materials to enable those planning for their retirement to better understand the temporary income and disbursement options, and thereby all of the issues at stake.

We acknowledge that the other provinces that have allowed flexibility with lump sum withdrawals do not indicate that it may have undesirable consequences.

We believe that workers should have more flexibility in their locked-in funds requirements for the following reasons:

a) The definition of retirement is likely to change in the future, and many people will keep working in different forms of employment into their old age;
b) To a certain degree, workers should be able to adjust their retirement income as they see fit and in accordance with other post-retirement incomes; and
c) The advantages of deferring QPP and OAS benefits should be recognized.

Examples illustrating our proposal are appended, together with illustrations of coordination between temporary income and up to 50 percent disbursement. If Retraite Québec would like to further explore the option of combining lump sum and temporary income, we would be pleased to propose a more formal method.

Answers to Questions Presented by Retraite Québec in the Consultation Document

Question 1

Should the basic principle of setting the maximum life income to ensure that the beneficiary has funds for his or her life be revisited? If so, what do you suggest?

We believe that the basic principle of life income should be retained, but with the changes mentioned elsewhere in the document, being the option of lump sum withdrawing of the full amount after age 89, up to 50 percent upon retirement, or as temporary income between ages 55 and 70 or 75.

Question 2

Should changes be considered to the definition of the benchmark? If so, what changes?

The maximum life income limit is the product of the account balance at the start of the year, a factor based on age in the previous year, and a benchmark. That benchmark, based on the Canadian government's long-term bonds, represents a future return assumption that cannot be less than 6 percent. In the current environment, returns on these bonds are well below the 6 percent threshold. Thus, it would be appropriate to align the benchmark with the mandatory returns on which it is based. However, in order to recognize that many people may choose investments promising a higher return, the applicable rate could be the benchmark plus a small amount, for instance 1 percent.

Question 3

Should the definition of maximum life income be changed to take into consideration earnings on investments made by the beneficiary?

No proposed change, given that our position increases the maximum payable based on temporary income. It should be noted that such a rule, which exists in some provinces, strikes us as biased given that it does not take into account lower returns in other years.

Question 4

Should the regulations be changed to permit withdrawal of the full amount as of a certain age?

The CIA is in favour of flexibility, particularly in a context of longevity insurance where the goal is to promote early disbursement of retirement savings and maximum deferral of public annuities.

In the interest of uniformity, as is already the case in six jurisdictions, full disbursement should be permitted as of age 89.

Question 5

Should the rules be more flexible in regard to personal savings?

There are several arguments in support of greater flexibility:

- The economic and demographic changes in the labour market will require a review of the maximum and minimum amounts that can be disbursed, with incomes based on public plans and more up-to-date assumptions.
- The fact that there are different rules between members subject to the Supplemental Pension Plan (SPP) Act and other investors; for instance, members under the SPP Act are subject to several locked-in funds rules, whereas there are essentially none for payouts from RRSPs.

The CIA believes that up to 50 percent of retirement locked-in funds should be permitted to be non-locked-in funds at retirement (as is the case in Alberta, Manitoba, Ontario, and federally regulated plans). This position is shared by the Association of Canadian Pension Management (ACPM). Unlocking 50 percent would mitigate the above-mentioned inequity (between SPP and RRSP) and would be consistent with the general principle of 50 percent member financing under DB plans. In essence, we would be allowing members, in a typical case, to access non-locked-in funds for the portion of the benefits that they essentially financed themselves.

Although we support allowing up to 50 percent disbursement, it is important to bear in mind that such a measure could affect a DB plan's asset/liability matching, which could potentially have negative implications.

Question 6

Should the temporary income calculation method be modified? For example, should a person's other income be taken into consideration when calculating the maximum?

First of all, we suggest increasing the maximum temporary income threshold from 40 percent to at least 50 percent of YMPE.

Note that the maximum public plan annuities payable in 2018 (at ages 65 and 70) and those hypothetically payable at age 75 under those plans (without the increases announced for the CPP/QPP effective 2019) represent 37 percent, 52 percent, and 67 percent of the YMPE at ages 65, 70, and 75, respectively.

Second, the amount of temporary income allowed every year could be calculated as being the maximum QPP annuity plus the OAS payable at the maximum age.

Question 7

Should the eligibility period for temporary income be modified? Is the age 65 maximum still appropriate?

We believe that yes, the period should be changed, and no, the age of 65 is no longer appropriate. Temporary income should extend past age 65, to age 70 in the near future, and eventually to age 75. Such a measure would be consistent with the option to defer and adjust public plan annuities (such as the QPP) at age 70 or 75 and would make it possible to use retirement funds before public plans. Such a measure would support the goal of better managing longevity risk. However, given that such an approach appears appropriate for people who defer their pensions from public plans even though they are not required to do so, we suggest that Retraite Québec consider the relevance of better framing such an approach, possibly with communication that explains its pros and cons.

Question 8

If not, would 70 be a more appropriate age if we were to consider adjusting public plan annuities?

Yes, and in fact we suggest changing the maximum age for late retirement under the QPP from 70 to 75 (as was recently proposed by a Québec politician), with adjustment, to avoid any impact on the total actuarial value of benefits for members at the point when the changes are made and any impact on long-term costs for the plan. Here again, such a measure would support the goal of better managing longevity risk.

Question 9

Should lump sum withdrawal be provided under Québec legislation? If so, what rules would apply?

Lump sum withdrawals could have a significant impact on plans under the SPP Act, whether they are DB or defined contribution (DC). Lump sum withdrawals raise issues, namely transforming a DB during the contribution period into a DC when the time comes to disburse. As previously mentioned, although we support the idea of allowing a withdrawal up to 50 percent, it is also important to bear in mind that such a measure could affect a DB plan’s asset/liability matching, which could potentially have negative implications, so we suggest that DB plans not be required to offer it.

Question 10

In your opinion, should lump sum withdrawal and temporary income provisions coexist in regulations, or are they not compatible? If possible, can you indicate how they could coexist?

We believe that lump sum withdrawal and temporary income provisions can more easily coexist if there is a limit on the cumulative lump sum withdrawals and temporary income; for example, 50 percent. In cases where there is not much in retirement savings, and all of it is required to generate temporary income until age 70 (75 if the government acts on our proposal), that limit should be adapted to allow the payment of that temporary income. Please refer to the foreword and examples in the appendix for details.

Question 11

Should the rule on temporary income before age 55 be reviewed? If so, how?

Temporary income can help a beneficiary through difficult circumstances. We suggest increasing that annuity to 50 percent of MPE minus 75 percent of anticipated income.

Question 12

Should regulations allow withdrawals in situations other than low income? If so, which situations?

Given that the rules should be simple and flexible, it is not necessary to indicate the option of withdrawal in other specific situations.

Question 13

Should the definition of reduced life expectancy be modified?

We believe that the current definition is appropriate.

Question 14

Given that Québec is the only province that does not permit direct withdrawal from life income funds (LIF) (or the DC account), in case of disability or reduced life expectancy, should we allow it?

As in the case of the other jurisdictions, direct withdrawal from LIF or the DC account in Québec should be allowed in case of disability or reduced life expectancy.

Question 15

In regard to the application of those rules, are details or clarifications required?

In the interest of greater flexibility, withdrawal in case of reduced life expectancy should be allowed at any age, even after age 71.

Question 16

Are there any other aspects of the regulations in regard to disability that should be changed? If so, how?

No further changes should be made to the regulations in regard to disability.

Question 17

Is the applicable rule in the case of a low-value contract appropriate? If not, how could it be changed?

In most cases, unlocking an entire retirement account should not be permitted, but it could be when the main purpose of purchasing a life income pension is no longer realistic (for example, the balance is extremely small, the individual is no longer a resident, or reduced life expectancy). Such conditions are addressed and should not be changed.

Question 18

In your opinion, for what reasons and under what conditions should Québec regulations allow full "non-locked-in funds"?

Although many investors do not have access to strong financial advice and do not make optimal decisions when it comes to managing their assets, there is no indication that Canadians are in a hurry to access their funds. For example, RRSP withdrawals are generally justified (purchase of a house, return to studies, etc.), but mostly to support needs in retirement.

However, we believe that setting a limit of 50 percent for non-locked-in funds is appropriate for better retirement security for members and for greater flexibility. Except in the case where all retirement savings are required to generate a temporary income up to age 70 (75 if the government acts on our proposal), entirely non-locked-in funds of those savings should not be permitted. But there could be a supporting argument if the main purpose of providing life income is no longer realistic (for example, the balance is extremely small, the individual is no longer a resident, or reduced life expectancy). Such conditions are addressed and should not be changed.

Question 19

Why do you think access to retirement funds should continue to be upheld under Québec regulations?

We believe that there should be a limit on non-locked-in funds in order to maintain a certain level of retirement security for members and to introduce more flexibility. This could be warranted in order to pay off debt or coordinate payments with other income sources, such as public plans, which are useful offsets to investment, longevity, and inflation risks.

For example, Retraite Québec could allow disbursement of up to 50 percent of MPE between an early retirement date and a postponed retirement date. However, in terms of DB plans, given that such a rule could interfere with certain risk and investment management practices under some plans, we believe that permission to withdraw up to 50 percent of the amounts should apply only if the plan sponsor changes some of the plan's provisions accordingly. As well, we believe that DB plans should be required to offer members the replacement of part of their life annuity by a temporary plan that could be paid up to age 70 under current rules, and age 75 if the government acts on our proposal.

Question 20

Do you believe that the fact that they offer more flexibility on withdrawal amounts before and during the withdrawal could help persons in precarious situations, or on the contrary, would it risk leading them faster and more often into bankruptcy?

We do not have comments in that regard.

Question 21

Are the disbursement rules complex to apply?

The complexity lies more in the application of different rules between jurisdictions. Those differences require manual calculations by insurance companies and service providers, which can lead to errors and higher administration costs.

Question 22

Are the rules difficult for members to understand?

Members appear to have difficulty making sense of the rules and the different vehicles and acronyms: LIRA, LIF, RRSP, RRIF, etc. It would be good to consider standardizing those vehicles. As well, personal perceptions play a key role in decision making.

Question 23

If so, how could those rules be simplified?

The fact of having harmonized rules could help reduce some of the costs and encourage plan administrators and sponsors, as well as the financial sector, to create products that are better adapted to the reality of members.

Question 24

Are there any specific elements that are different from the rules in the other provinces that make Québec's rules more difficult to administer?

We have no specific comments on this.

Question 25

Should one of the goals be harmonization of the rules applicable in Québec with those in the other provinces?

There are significant benefits associated with harmonization, namely fewer administrative challenges and costs. However, we are in favour of innovating and innovative ideas, like the temporary income rule that has existed in Québec for 20 years or so, and the goal of more harmonization should not be a barrier to progress in the retirement sector.

Thank you for taking the time to consider our comments. If you have any questions, please feel free to contact Joseph Gabriel, CIA staff actuary, education, by telephone at 613-236-8196 ext. 150, or by e-mail at joseph.gabriel@cia-ica.ca.

Yours truly,

[original signature on file]

John Dark

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Appendix: Examples

Methodology

The following are some details about the methodology used to create the examples presented in this document:

- The maximum withdrawal is the one obtainable from a life income fund (LIF); that is, usually a combination of temporary and life income. In other words, there is no disbursement in the form of a lump sum in the examples below.
- The approach used to determine the life income and the temporary income obtainable from a LIF is for the most part inspired by the one adopted by the general Regulation on supplemental pension plans (SPP).
- The reference rate was set at 3.5%, which is realistic under the current economic environment.
- Since we are showing changes in the maximum withdrawal over multiple years, assumptions were made about the increase rate in the year's maximum pensionable earnings (YMPE) and the expected return rate. The following rates are used:
    - Increase rate in the YMPE: 2.5%; and
    - Return rate: 3.5%, which corresponds to the reference rate.
- The YMPE used for the first year referred in our examples is the one from 2018, being $55,900.
- Under the current rules, the payment of pension annuities from public plans may be deferred until age 70. The maximum temporary income is set at 50% of the YMPE to reflect the revaluation of these annuities when there is a deferral.
- If payments of pension annuities from public plans can be deferred until age 75, the maximum temporary income used is 70% of the YMPE to reflect the additional revaluation that would apply to these annuities between ages 70 and 75.

Table 1

Wind-up starting at age 60 with locked-in retirement savings of $200,000						
Reference rate (current rules)			6.0%			
Reference rate (proposed rules)			3.5%			
Return rate			3.5%			
Increase rate of YMPE			2.5%			
	Current rules		**Proposed rules (deferral to age 70)**		**Proposed rules (deferral to age 75)**	
Age	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**
60	$200,000	$27,494	$200,000	$27,950	$200,000	$39,130
61	$178,544	$27,903	$178,072	$28,650	$166,500	$40,110
62	$155,913	$28,497	$154,652	$29,350	$130,814	$41,090
63	$131,876	$29,167	$129,688	$30,100	$92,864	$42,140
64	$106,304	$29,982	$103,074	$30,850	$52,499	$43,190
65	$78,993	$5,687	$74,752	$31,600	$9,635	$9,635
66	$75,872	$5,539	$44,662	$32,400	-	-
67	$72,795	$5,387	$12,691	$12,691	-	-
68	$69,767	$5,302	-	-	-	-
69	$66,721	$5,138	-	-	-	-
70	$63,738	$5,035	-	-	-	-
71	$60,758	$4,921	-	-	-	-
72	$57,791	$4,797	-	-	-	-
73	$54,849	$4,662	-	-	-	-
74	$51,944	$4,571	-	-	-	-
75	$49,031	$4,462	-	-	-	-

Notes

- For all three approaches, the increase in the maximum withdrawal in the first few years is due to the increase in the YMPE on which the maximum amount of temporary income is based.
- Under the current rules, a combination of temporary and life income is payable for the first five years. Only a life income is payable from age 65. Life income declines steadily as the realized return (3.5%) is lower than the reference rate (6.0%).
- Under the proposed rules, SPP retirement savings are used only to generate temporary income since the amount of these savings is small. These savings are depleted more quickly in the case of a deferral to age 75 because of the maximum temporary income limit of 70% of the YMPE (rather than 50% in the case of a deferral to age 70).

Table 2

Wind-up starting at age 60 with locked-in retirement savings of $500,000						
Reference rate (current rules) Reference rate (proposed rules) Return rate Increase rate of YMPE				6.0% 3.5% 3.5% 2.5%		
	Current rules		Proposed rules (deferral to age 70)		Proposed rules (deferral to age 75)	
Age	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal
60	$500,000	$47,594	$500,000	$41,956	$500,000	$40,934
61	$468,240	$47,602	$474,075	$42,316	$475,134	$41,314
62	$435,360	$47,779	$446,870	$42,681	$449,004	$41,703
63	$401,146	$48,016	$418,335	$42,857	$421,557	$42,140
64	$365,490	$48,384	$388,620	$43,303	$392,697	$43,190
65	$328,205	$23,631	$357,403	$43,766	$361,740	$44,240
66	$315,234	$23,012	$324,615	$44,284	$328,613	$45,360
67	$302,450	$22,381	$290,142	$45,026	$293,167	$46,480
68	$289,871	$22,030	$253,695	$45,629	$255,321	$47,670
69	$277,215	$21,346	$215,349	$46,449	$214,919	$48,860
70	$264,824	$20,921	$174,812	$11,363	$171,871	$50,050
71	$252,440	$20,448	$169,170	$11,334	$126,085	$51,310
72	$240,112	$19,929	$163,360	$11,272	$77,392	$52,570
73	$227,889	$19,371	$157,411	$11,334	$25,691	$25,691
74	$215,816	$18,992	$151,190	$11,188	-	-
75	$203,713	$18,538	$144,902	$11,157	-	-

Notes

- The maximum withdrawal is greater during the first five years under the current rules due to the use of a reference rate of 6.0%.
- Under the “deferral to age 75” approach, we see that SPP retirement savings of $500,000 is fully wound up at age 73. This is basically the result of two factors: a maximum temporary annuity equal to 70% of the YMPE and an increase in the YMPE of 2.5% per year. Prudent people will ask a specialist to set the amount of their annual withdrawal so that the transition is made with the goal of maintaining their income level when their temporary income ends and their pension annuities from public plans begin.

Table 3

Wind-up starting at age 65 with locked-in retirement savings of $200,000						
Reference rate (current rules)			6.0%			
Reference rate (proposed rules)			3.5%			
Return rate			3.5%			
Increase rate of YMPE			2.5%			
	Current rules		**Proposed rules (deferral to age 70)**		**Proposed rules (deferral to age 75)**	
Age	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**
65	$200,000	$14,400	$200,000	$31,975	$200,000	$39,130
66	$192,096	$14,023	$173,905	$32,484	$166,500	$40,110
67	$184,306	$13,639	$146,371	$33,087	$130,814	$41,090
68	$176,640	$13,425	$117,249	$33,700	$92,864	$42,140
69	$168,928	$13,007	$86,473	$34,410	$52,499	$43,190
70	$161,378	$12,749	$53,885	$3,503	$9,635	$9,635
71	$153,831	$12,460	$52,146	$3,494	-	-
72	$146,319	$12,144	$50,355	$3,474	-	-
73	$138,871	$11,804	$48,521	$3,494	-	-
74	$131,514	$11,573	$46,603	$3,449	-	-
75	$124,139	$11,297	$44,665	$3,439	-	-

Notes

- Under the current rules, the maximum withdrawal is lower because the rules do not allow the payment of a temporary income after age 64. Life income is steadily declining since the achieved return (3.5%) is lower than the reference rate (6.0%).
- Under the proposed rules, the maximum withdrawal allowed during the first five years is higher than under the current rules due to the payment of a temporary income.
- Under the proposed rules with deferral to age 75, locked-in retirement savings are totally wound up at age 70. This is basically the result of two factors: a higher maximum temporary income (70% of the YMPE) and the fact that it is payable after age 69.

Table 4

Wind-up starting at age 65 with locked-in retirement savings of $500,000						
Reference rate (current rules) Reference rate (proposed rules) Return rate Increase rate of YMPE			6.0% 3.5% 3.5% 2.5%			
	Current rules		Proposed rules (deferral to age 70)		Proposed rules (deferral to age 75)	
Age	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal
65	$500,000	$36,000	$500,000	$49,375	$500,000	$48,594
66	$480,240	$35,058	$466,396	$49,741	$467,205	$49,045
67	$460,763	$34,096	$431,238	$50,464	$432,795	$49,656
68	$441,600	$33,562	$394,102	$50,865	$396,549	$50,188
69	$422,319	$32,519	$355,250	$51,612	$358,484	$50,888
70	$403,443	$31,872	$314,266	$20,427	$318,362	$51,495
71	$384,576	$31,151	$304,123	$20,376	$276,207	$52,312
72	$365,795	$30,361	$293,678	$20,264	$231,731	$53,170
73	$347,174	$29,510	$282,984	$20,375	$184,811	$54,229
74	$328,782	$28,933	$271,800	$20,113	$135,152	$55,246
75	$310,344	$28,241	$260,496	$20,058	$82,703	$6,368

Notes

- Under the current rules, the maximum withdrawal is lower because they do not allow the payment of a temporary income after age 64. Life income is steadily declining since the achieved return (3.5%) is lower than the reference rate (6.0%).
- The maximum withdrawal with deferral to age 75 is slightly lower than the deferral to age 70. A higher temporary income must be funded (70% of the YMPE instead of 50%) which would be payable for five more years.

Table 5

Wind-up starting at age 70 with locked-in retirement savings of $200,000						
Reference rate (current rules)			6.0%			
Reference rate (proposed rules)			3.5%			
Return rate			3.5%			
Increase rate of YMPE			2.5%			
	Current rules		Proposed rules (deferral to age 70)		Proposed rules (deferral to age 75)	
Age	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal	Balance at beginning of year	Maximum withdrawal
70	$200,000	$15,800	$ 200,000	$13,000	$200,000	$40,244
71	$190,647	$15,442	$193,545	$12,968	$165,348	$40,972
72	$181,337	$15,051	$186,898	$12,896	$128,729	$41,751
73	$172,106	$14,629	$180,092	$12,967	$90,022	$42,657
74	$162,989	$14,343	$172,975	$12,800	$49,023	$43,622
75	$153,849	$14,000	$165,781	$12,765	$5,590	$430

Notes

- The proposed rules with deferral at age 75 allow the highest maximum withdrawal in the first five years since this is the only approach that allows the payment of a temporary income after age 69.

Table 6

Wind-up starting at age 70 with locked-in retirement savings of $500,000						
Reference rate (current rules)	6.0%					
Reference rate (proposed rules)	3.5%					
Return rate	3.5%					
Increase rate of YMPE	2.5%					
	Current rules		**Proposed rules (deferral to age 70)**		**Proposed rules (deferral to age 75)**	
Age	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**	**Balance at beginning of year**	**Maximum withdrawal**
70	$500,000	$39,500	$500,000	$32,500	$500,000	$59,744
71	$476,618	$38,606	$483,863	$32,419	$455,665	$60,423
72	$453,342	$37,627	$467,245	$32,240	$409,075	$61,095
73	$430,265	$36,573	$450,230	$32,417	$360,159	$62,107
74	$407,471	$35,857	$432,437	$32,000	$308,484	$62,822
75	$384,620	$35,000	$414,452	$31,913	$254,260	$19,578

Notes

- The proposed rules with deferral at age 75 allow the highest maximum withdrawal in the first five years since this is the only approach that allows the payment of a temporary income after age 69.