

**ADDENDUM ESTABLISHING A LIFE INCOME FUND UNDER THE NATIONAL BANK SAVINGS AND INVESTMENTS INC. SELF-DIRECTED RETIREMENT INCOME FUND**

**RECITALS:**

- A. The Annuitant wishes to transfer assets derived, directly or indirectly, from a pension plan governed by the provisions of the Act, or any other source acceptable under the Act, to a life income fund with the Trustee;
- B. The Transfer cannot be made unless the conditions herein are satisfied;
- C. For these purposes, and to comply with the requirements of the Act and the Regulation, the Annuitant and the Trustee wish to supplement the declaration of trust of the National Bank Savings and Investments Inc. self-directed retirement income fund entered into between them (the “**declaration**”) with this addendum. In the event of any conflict between the provisions of the declaration and this addendum, the provisions of this addendum prevail.

**NOW THEREFORE**, the Annuitant and the Trustee agree as follows:

1. **Definitions:** All terms not defined in this Agreement shall have the same meaning as in the Declaration of Trust, the Act or the Regulation. In addition, the following terms shall have the meaning indicated below:
  - a) “**Act**” means the *Supplemental Pension Plans Act* (Québec), as amended from time to time;
  - b) “**Declaration of Trust**” means the declaration of trust governing the Retirement Income Fund;
  - c) “**Fiscal Year**” [19(1°)], in connection with the Fund, means a calendar year terminating on December 31, and will not exceed twelve months;
  - d) “**Fund**” refers to the Retirement Income Fund established by the Declaration of Trust, as supplemented and modified by this Agreement establishing a LIF that will hold the locked-in amounts and assets subject to the Transfer;
  - e) “**LIF**” refers to a life income fund that is a RIF that meets the requirements set out in sections 18 and following of the Regulation;
  - f) “**LIRA**” refers to a locked-in retirement account that is a registered retirement savings plan within the meaning of the *Tax Act* that meets the requirements set out in section 29 of the Regulation;
  - g) “**Maximum Pensionable Earnings**” has the same meaning as in the *Act respecting the Quebec Pension Plan* (Quebec);
  - h) “**Regulation**” means the *Regulation respecting supplemental pension plans* adopted under the Act, as amended from time to time;
  - i) “**RIF**” means a retirement income fund within the meaning of the *Tax Act* that is registered under that Act;
  - j) “**Spouse**” shall have the meaning assigned to such term under the Act but does not include any person who is not recognized as a spouse or a common-law partner for the purposes of any provision of the *Tax Act* respecting a RIF;
  - k) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations adopted thereunder;
  - l) “**Transfer**” means the transfer referred to in paragraph A of the Recitals hereto;
  - m) “**Trustee**” means Natcan Trust Company, having its head office located at 800, Saint-Jacques Street, Suite 91991, Montreal, Quebec, H3C 1A3;
2. **Purpose of the Fund [18]:** Subject to the Act and the Regulation, all money and other assets that are the subject of the Transfer, including all investment earnings thereon and gains and interest realized thereof, but excluding all fees, charges, expenses and taxes charged to this Fund, shall be used to provide the Annuitant with an income, the amount of which may vary annually.
3. **Contributions [19(0.1°)]:** The only money that may be transferred to the Fund is money coming directly or initially from:
  - a) a pension plan subject to the Act;
  - b) a supplemental pension plan governed by an act of a legislative authority other than the Parliament of Québec and that grants the right to a deferred pension;
  - c) a supplemental pension plan established by an act of the Parliament of Québec or another legislative authority;
  - d) the locked-in account of a voluntary retirement savings plan subject to the *Voluntary Retirement Savings Plans Act*;
  - e) the locked-in account of an equivalent voluntary retirement savings plan from a legislative authority other than the Parliament of Québec, provided the member joins that plan as part of his employment;
  - f) a LIRA;
  - g) another LIF; or
  - h) an annuity contract referred to in section 30 of the Regulation.

The sums transferred to a life income fund held by a purchaser under 55 years of age are deemed to come in their entirety from a life income fund or from a supplemental pension plan that offers the variable benefits referred to in subdivision 3 of Division II.1 of the Regulation, unless the Annuitant sends to the financial institution that manages the fund to which the sums are transferred a declaration in conformity with the one provided for in Schedule 0.9.1 [22.2].
4. **Payments:** Except as permitted by the law, payments to the Annuitant hereunder shall be determined under the terms of the Declaration of Trust and shall comply with the following conditions:
 

**Annual Payments [19(2°)]:** The amount of the income paid to the Annuitant during a fiscal year or, if the purchaser is 55 years of age or over and so requests it, the amount of the payment of all or part of the balance of the fund in one or more instalments is, subject to the lower limit referred to in Subsection 4a) herein, set by the purchaser each year. The amount of the income set by a purchaser under 55 years of age for a fiscal year may not exceed the upper limit determined in accordance with Subsection 4b) herein.

The Annuitant notifies the Trustee of the amount thus set no later than January 1 of the Fiscal Year. Such notice expires on December 31 of the applicable Fiscal Year. If the Annuitant does not thereby notify the Trustee, he or she will be deemed to have decided to receive the minimum amount, and the Trustee will thereby pay such minimum amount (subsection 4a herein) out of the Fund in the Fiscal Year in question. It is understood that the Financial Institution shall not accept an interval longer than one year.

  - a) **Minimum Payment [20.2]:** The amount of income paid or of the payment of all or part of the balance of the fund, in one or more instalments out of the Fund during a Fiscal Year must not be less than the minimum amount under the *Income Tax Act*, according to the Annuitant’s age or the age of the Annuitant’s Spouse if he or she is younger than the Annuitant.
  - b) **Maximum Payment [20.1]:** The amount of income paid out during a Fiscal Year of the Fund to a purchaser under 55 years of age at the time the application of income is filed must not exceed the amount “**M**” in the following formula:
 
$$A + E = M$$
 where
 

“**A**” represents the maximum temporary income for the Fiscal Year determined according to Subsection 5b) herein or, if no amount has been determined, zero;

“**E**” represents the maximum life income established according to Subsection 4c) hereafter.
  - c) **Maximum life income [20, 21]:** The upper limit of the life income, for a fiscal year of the life income fund of a purchaser under 55 years of age, is equal to the amount “**E**” in the following formula:
 
$$F \times C - A = E$$
 where
 

“**F**” represents the rate prescribed for a year, which is established on the basis of the month-end, nominal interest rate earned on long-term bonds issued by the Government of Canada for the month of November preceding the beginning of the fiscal year, as compiled monthly by Statistics Canada and published in the Bank of Canada Banking and Financial Statistics, Series V122487 in the CANSIM system, by applying successively to that rate the following adjustments:

    - (1) the conversion of the interest rate, based on interest compounded semi-annually, to an effective annual interest rate;
    - (2) an increase of 2.75% of the effective interest rate;
    - (3) the rounding of the effective interest rate to the nearest multiple of 0.25%.

“**C**” represents the balance of the fund on the date on which the fiscal year begins, increased by any sums transferred to the fund after that date and reduced by any sums originating directly or not during the same fiscal year from a life income fund or from a supplemental pension plan that offers the variable benefits referred to in subdivision 3 of Division II.1 of the Regulation;

“**A**” represents the maximum temporary income for the fiscal year determined in accordance with Subsection 5b) herein or, if no amount was determined, the figure zero.

The amount “**E**” may not be less than zero.
5. **Persons younger than 55 years of age - Payment of temporary income:**
  - a) **Eligibility [19.2]:** The Annuitant under 55 years of age is entitled to receive, during a fiscal year, all or part of the balance of the fund in the form of a temporary income in monthly instalments. None of these monthly instalments may exceed 1/12 of the difference between the following amounts:
    - (1) 50% of the Maximum Pensionable Earnings determined, for the year in which the payment is made, pursuant to the *Act respecting the Quebec Pension Plan*;
    - (2) 100% of the Annuitant’s income for the 12 months that follow, excluding the income provided for in this subsection,
 and provided that it meets the following conditions:
    - i. the Annuitant’s income for the 12 months that follow, excluding the income provided for in this Section 5, does not exceed the amount referred to in point (1) above;

- ii. the Annuitant submits to the Trustee an application to that effect, accompanied with a declaration that is compliant with Schedule 0.5 of the Regulation and a written undertaking to request a suspension of payments when his income, excluding the income indicated in this Section 5, reaches the amount referred to in point (1) above;

The income indicated in this Section 5 cannot be paid to the Annuitant if he has requested a suspension of payments or after the end of the year in which he reaches 55 years of age [19.2 (1°)].

The Annuitant who is eligible to receive the income referred to in Section 5 and who is a member or spouse who has become entitled to a pension under a pension plan may, for the purposes of replacing such pension by a temporary income, apply once a year for the transfer from the pension plan to the Fund of an amount equal to the lesser of the following amounts:

- (1) the additional amount required for the balance of the Fund to allow, until the end of the year, the payment of the monthly payments provided for in the first paragraph of this Section 5;
- (2) the value of his benefits under the pension plan.

If an amount is so transferred from a pension plan to the Fund, sections 15.1 to 15.3 of the Regulation apply, with the necessary modifications, with respect to the allocation of benefits and the determination of the residual benefits of the member or spouse in the pension plan.

**b) Maximum temporary income [20.5]:** The Trustee determines the maximum temporary income for the Fiscal Year of the Fund (which cannot be less than zero) upon receipt of an application in accordance with Subsection 5 b) herein. This income is equal to the product of multiplying the maximum monthly payment set in accordance with the first paragraph of Subsection 5 b) by the number of months remaining in the year as of the first day of the month of the application or, where the Annuitant is entitled, for that month, to a temporary income by reason of a prior application, as of the first day of the following month. Where necessary, this product is increased by any income provided for under Subsection 6 a) and paid to the Annuitant during the year but prior to payment of the income payable as a consequence of the application and reduced by any income paid to the Annuitant, during the same period, from another LIF or from a supplemental pension plan that offers the variable benefits referred to in Subdivision 3 of Division II.1 of the Regulation [22.1].

**6. Persons over 55 years of age or over - Life income, withdrawal of all or part of the balance of the life income fund –**

**a) Life Income [19(3°), 20.0.1]:** The amount of the life income that may be provided with the sums held by a purchaser 55 years of age or over is estimated in accordance with Section 20.0.1 of the Regulation. Thus, this estimated amount of the life income is established by the Trustee according to the method it determines or, if it decides otherwise, is equal to the amount “N” of the following formula:

$$\frac{D}{T} = N$$

where

“D” represents the balance of the fund on the date of the estimate;

“T” represents the commuted value, at the beginning of the fiscal year of the fund, of the annual retirement pension of \$1, payable on 1 January of each year included in the period from the beginning of the fiscal year to 31 December of the year in which the purchaser reaches 95 years of age; that value is determined on the basis of the month-end, nominal interest rate earned on long-term bonds issued by the Government of Canada for the month of November preceding the beginning of the fiscal year, as compiled monthly by Statistics Canada and published in the Bank of Canada Banking and Financial Statistics, Series V122487 in the CANSIM system, by applying successively to that rate the following adjustments:

- (1) the conversion of the interest rate referred to in element “T”, based on interest compounded semi-annually, to an effective annual interest rate;
- (2) an increase of 1.10% of the effective interest rate;
- (3) the rounding of the effective interest rate to the nearest multiple of 0.25%.

The amount “N” may not be lower than the lower limit determined in accordance with Subsection 4a) herein.

In addition, for purchasers aged 95 years or over, element “T” is equal to 1.

This estimated amount may vary in particular because of withdrawals made and returns on the fund;

**b) Withdrawals:** Despite the amount thus estimated, all or part of the balance of the life income fund of a purchaser 55 years of age or over may, unless the term of the investments has not expired, be paid in one or more instalments, on request to the Trustee made at any time during a fiscal year; Such payment is made, as applicable, regardless of the amount of the life income or of the payment in one or more instalments determined or received by the purchaser for the fiscal year.

The remittance must comply with the applicable laws and be made within a reasonable timeframe. The Trustee is not liable for any loss to the Annuitant resulting from a withdrawal under this Section 6.

**7. Death of the Annuitant [19(4°)]:** If the Annuitant who is a member or former member dies before the entire Fund balance is converted to a life annuity, the spouse or, if there is no spouse, his successors are entitled to benefits in an amount equal to this balance.

**8. Spouse's waiver [19(5°)]:** The spouse of an Annuitant who is a member or former member may, by giving notice in writing to the Trustee, waive his or her entitlement to receive the pension benefits described in Section 7 hereof or the life annuity provided for in Subsection 18b) herein and may, in the case of pension benefits, revoke such a waiver by submitting a written notice to the Trustee prior to the Annuitant's death and, in the case of a life annuity, prior to the date of conversion of all or part of the Fund balance into the annuity.

**9. Separation and divorce [19(6°)]:** The spouse of an Annuitant who is a member or former member is no longer eligible to receive the benefits described in Subsection 18b) herein following separation from bed and board, divorce, marriage annulment, dissolution or annulment of civil union, or dissolution of a conjugal relationship if the spouses are not joined by marriage or civil union, unless the Annuitant submits the notice described in section 89 of the Act to the Trustee.

**10. Seizure for unpaid alimony [19(6.0.1°)]:** The seizeable portion of the balance of the Fund may be paid in a lump sum in execution of a judgment rendered in favour of the Annuitant's spouse that gives entitlement to a seizure for unpaid alimony.

**11. Authorized Transfers [19(7°)]:** Subject to the term of the investments held in the Fund, the Annuitant may transfer all or a portion of the money in the Fund to:

- (1) a pension plan governed by the Act;
- (2) a supplemental pension plan governed by an act of a legislative authority other than the Parliament of Québec and that grants the right to a deferred pension;
- (3) a supplemental pension plan established by an act of the Parliament of Québec or another legislative authority;
- (4) the locked-in account of a voluntary retirement savings plan subject to the *Voluntary Retirement Savings Plans Act*;
- (5) the locked-in account of an equivalent voluntary retirement savings plan from a legislative authority other than the Parliament of Québec if the member is enrolled in this plan through his employment;
- (6) another LIF;
- (7) a LIRA; or
- (8) an annuity agreement as mentioned in section 30 of the Regulation.

The Trustee may deduct from the property being transferred all amounts to be retained in application of paragraphs 146.3(2)(e) and (e.2) of the *Tax Act*, as well as any fees and disbursement to which the Trustee is entitled.

The Annuitant may at any time, in a form deemed satisfactory by the Trustee, make a request to the Trustee for such a transfer. Such transfer shall be made within a reasonable timeframe once confirmed by the beneficiary of the Transfer.

If only a portion of the assets held in the Fund is transferred, the Annuitant can specify in the notice which assets he would like to transfer or dispose of in order to carry out such a transfer. Failing this, the Trustee shall transfer or dispose of such assets as it, in its sole discretion, may deem appropriate. The Trustee shall not be liable for any losses incurred as a result of such disposition or such Transfer.

Notwithstanding the above, the Trustee shall never be obliged to refund in advance the investments held under the Fund for purposes of a transfer and may, at its entire discretion, delay the requested transfer accordingly.

The Trustee has no liability or duty with respect to the withdrawn assets and shall not be liable for any losses incurred as a result of the disposition or transfer.

**12. Non authorized transfers [19(7.2°)]:** The annuitant may not transfer the life or temporary income or, as the case may be, the payment of all or part of the balance of the life income fund in one or more instalments, to a pension plan referred to:

- (1) a registered retirement savings plan;
- (2) a registered retirement income fund;
- (3) a not locked-in account of a voluntarily retirement savings plan governed by the *Voluntary Retirement Savings Plans Act*

**13. Investments [19(9°)]:** The money and assets held in this Fund shall be invested by the Trustee in the manner provided in the Declaration of Trust. All investments of money or assets held in this Fund must comply with the rules for the investment of RIF money contained in the *Tax Act*.

**14. Value of the Fund [19(10°)]:** The fair market value of the assets held in the Fund as determined by the Trustee in good faith shall be used to calculate the balance of the money and assets held under this Fund at all times, including at the time of the Annuitant's death or a transfer of assets. Any such determination by the Financial Institution shall be conclusive for all purposes hereof.

**15. Irregular payments [19(10.1°)]:** If the income paid to the Annuitant during a Fiscal Year of the Fund exceeds the maximum amount he can receive in accordance with the Regulation or this Agreement, the Annuitant may, unless this payment is related to a false declaration on his part, require that the Trustee pay him or her, as a penalty, an amount equal to the excess income paid.

**16. Amendments to this Agreement [19(11°), (13°) et (14°)]:** The Trustee shall make no amendment to this Agreement that would reduce the rights hereunder, unless it grants the Annuitant, before the amendment date, the right to transfer the Fund balance and gives the Annuitant, at least 90 days before the date on which he can exercise this right, notice indicating the nature of the amendment as well as the date on which the Annuitant may exercise such right.

The Trustee cannot, except to meet the requirements of the Act, make

amendments other than those indicated in this section without providing prior notice to the Annuitant.

The Trustee may amend the Agreement only if it remains compliant with the amended standard agreement registered with Retraite Québec.

**17. Identifiable securities** [19(12°)]: Where such investments held in the Fund consist of identifiable and transferable securities, the Trustee may carry out the transfer according to Sections 11 and 16 by the remittance of these securities.

**18. Conversion of Fund balance** [23]: The conversion of all or a portion of the balance of the Fund to a life annuity can only be carried out according to the following conditions:

- (1) the insurer guarantees that this annuity will be paid in equal periodic amounts that may not vary unless each of them is uniformly increased according to an index or a rate provided for in the annuity contract or uniformly adjusted by reason of a seizure effected on the Annuitant's benefits, the redetermination of the Annuitant's pension, the partition of the Annuitant's benefits with his spouse, the payment of a temporary pension under the requirements provided for in section 91.1 of the Act or the election provided for in subsection 3 of the first paragraph in section 93 of the Act;
- (2) in the event of the death of the Annuitant who was a member or former member, the insurer guarantees his spouse, who has not renounced to the pension, a life annuity at least equal to 60% of the Annuitant's pension amount, including, during the replacement period, the amount of any temporary pension;
- (3) The term of the investments comprising the Fund has expired.

**19. Statements** [23, 24 à 26]: The Trustee shall provide the Annuitant, his spouse or his successors, as the case may be, with the statements described in sections 24 to 26 of the Regulation, at periods designated therein.

**20. Representations and warranties of the Annuitant:** The Annuitant represents and warrants to the Trustee the following:

- (1) that the law applicable to the Transfer is the Act and the Regulation;
- (2) that the amounts transferred herein are locked-in amounts resulting directly or indirectly from the commuted value of the Annuitant's pension entitlements and the Annuitant is entitled to effect a transfer of his or her pension entitlements pursuant to the Act and the Regulation;
- (3) that the provisions of the pension plan do not prohibit the Annuitant from entering into this Agreement and, in the event that such prohibition does exist, the Trustee shall not be liable for the consequences to the Annuitant of executing this Agreement nor for anything done by the Trustee in accordance with the provisions hereof.

**21. Governing law:** This Agreement shall be governed by the laws applicable in the Province of Québec.

**22. Effective Date:** This Agreement takes effect on the date of transfer of assets into the Fund.

**Natcan Trust Company**

800, Saint-Jacques Street, Suite 91991

Montreal, Québec, H3C 1A3