

**ADDENDUM ESTABLISHING A LIFE INCOME FUND UNDER THE NATIONAL BANK SAVINGS AND INVESTMENTS INC. SELF-DIRECTED RETIREMENT INCOME FUND (SCHEDULE 1.1 OF THE REGULATION)**

**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. 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.** Terms not defined in this addendum have the same meaning as in the declaration, the Act or the Regulation. The terms below have the following meaning:
  - a) “**Act**” means the *Pension Benefits Act* (Ontario);
  - b) “**Chief Executive Officer**” means the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario;
  - c) “**Declaration about a Spouse**” means any of the following documents:
    - i) A statement signed by the Annuitant’s Spouse, if any, that the Spouse consents to the withdrawal or transfer from the Fund;
    - ii) A statement signed by the Annuitant attesting to the fact that he or she does not have a Spouse;
    - iii) A statement signed by the Annuitant attesting to the fact that he or she is living separate and apart from his or her Spouse on the date the Annuitant signs the application to make the withdrawal or transfer from the Fund.
  - d) “**Fiscal Year**”, in connection with the Fund, means a calendar year terminating on December 31 and not exceeding 12 months;
  - e) “**LIF**” refers to a life income fund, namely a RIF that meets the requirements set out in Schedule 1 or in Schedule 1.1 of the Regulation;
  - f) “**Life Annuity**” means an insurance contract under which a deferred or immediate life annuity will be provided to the Annuitant or his or her Spouse that complies with the relevant provisions of the Tax Act and section 22 of the Regulation, provided that the annuity does not differentiate on the basis of the sex of the beneficiary unless otherwise permitted under the Regulation;
  - g) “**LIRA**” refers to a locked-in retirement account, namely a registered retirement savings plan within the meaning in the Tax Act that meets the requirements set out in Schedule 3 of the Regulation;
  - h) “**LRIF**” refers to a locked-in retirement income fund, namely a RIF that meets the requirements set out in Schedule 2 of the Regulation;
  - i) “**Minimum Amount**” means the minimum amount that is required to be paid out of the Fund during a Fiscal Year as determined under the declaration, which must not be less than the minimum amount prescribed in the Tax Act;
  - j) “**Maximum Amount**” means the maximum amount referred to in section 6 hereof;
  - k) “**Regulation**” means Regulation 909 adopted pursuant to the Act;
  - l) “**RIF**” means a retirement income fund within the meaning of the Tax Act that is registered under that Act;
  - m) “**Spouse**” has the meaning provided in the Act, but does not include any person who is not recognized as a spouse or a common-law partner for the purposes of the provisions of the Tax Act concerning a RIF;
  - n) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations adopted thereunder;
  - o) “**Trustee**” means Natcan Trust Company, 800 St-Jacques Street, Suite 91991, Montreal, Quebec, H3C 1A3.
2. **Contributions and purpose of the Fund.** The Fund must be purchased using all or part of the amount transferred under subsection 39.1(4), clause 42(1)(b), subsection 42(12), paragraph 2 of subsection 67.3(2) or paragraph 2 of subsection 67.8(2) of the Act, or using all or part of the assets in a LIF, LIRA or LRIF.
 

Subject to the Act and the Regulation, all assets in the Fund, including investment earnings, but excluding fees, charges, expenses and taxes charged to the Fund, are used to provide the Annuitant with a retirement income. No assets that are not locked-in may be transferred to or held under the Fund.
3. **Value of the Fund.** The fair market value of the Fund, as determined by the Trustee in good faith, is used to establish the balance of the assets in the Fund at any particular time, including on the death of the Annuitant or a transfer of assets. Any such determination by the Trustee is conclusive for all purposes hereof.
4. **Investments.** The assets in the Fund are invested in the manner provided in the declaration. All investments must comply with the rules set out in the Tax Act regarding investments in a RIF.
5. **Restrictions.** The Annuitant agrees not to assign, charge, anticipate or give as security assets in the Fund except as required by an order under the *Family Law Act*, a family arbitration award or a domestic contract.
6. **Payments.** Payments out of the Fund are subject to the following conditions:
  - a) **Commencement of payments.** Payments begin:
    - i) no earlier than the earliest date on which the Annuitant is entitled to receive a pension under any pension plan from which assets were transferred into the Fund directly or indirectly;
    - ii) despite paragraph i), no earlier than the date on which the Annuitant reaches 55 years of age, if none of the assets in the Fund is derived directly or indirectly from a pension benefit provided in respect of any employment of the Annuitant; and
    - iii) no later than the end of the second Fiscal Year of the Fund.
  - b) **Annual payments.** The amount of income payable during each Fiscal Year is, subject to the Minimum Amount and Maximum Amount, set by the Annuitant each year by notice to the Trustee no later than January 1. A notice expires on December 31 of the Fiscal Year to which it relates. If the Annuitant does not provide such notice in a given Fiscal Year, he or she is deemed to have elected to receive the Minimum Amount for that year.
  - c) **Maximum Amount.** The amount of income paid during a Fiscal Year out of the Fund must not exceed the greatest of the following amounts:
    - i) The investment earnings, including any unrealized capital gains or losses, of the Fund in the previous Fiscal Year.
    - ii) If the assets in the Fund are derived from assets transferred directly from another LIF or LRIF, and if the income is being paid out of the Fund in the Fiscal Year following the Fiscal Year in which the Fund is established, the sum of,
      1. the investment earnings, including any unrealized capital gains or losses, of the transferring LIF or LRIF in the previous Fiscal Year; and
      2. the investment earnings, including any unrealized capital gains or losses, of the Fund in the previous Fiscal Year.
    - iii) The amount calculated in accordance with the following formula:  
C/F  
where  
“C” is the value of the assets in the Fund 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 Annuitant reaches 90 years of age.  
The following interest rate assumptions are to be used to determine the amount “F”:  
      - i) The interest rate for each of the first 15 Fiscal Years of the period referred to in the definition of “F” is the greater of 6 % and the nominal rate of interest on long-term bonds issued by the Government of Canada for November of the year before the beginning of the Fiscal Year, as determined from the Canadian Socio-Economic Information Management System (CANSIM) series V122487 compiled by Statistics Canada and available on the website maintained by the Bank of Canada;
      - ii) For the 16th and each subsequent Fiscal Year of the period referred to in the definition of “F”, the interest rate is 6%.
  - d) **Maximum Amount on transfer from LIF or LRIF.** Despite subsection 6c), if assets in the Fund are derived from assets transferred directly or indirectly from another LIF or LRIF, the Maximum Amount that may be paid out of the Fund in the Fiscal Year in which the assets are transferred into the Fund is zero.
  - e) **Maximum Amount for short first Fiscal Year.** If the first Fiscal Year of the Fund is not 12 months long, the Maximum Amount determined under subsection 6c) is adjusted in proportion to the number of months in that Fiscal Year divided by 12, with any part of an incomplete month counting as one month.
  - f) **Minimum Amount.** The amount of income paid out of the Fund during a Fiscal Year must not be less than the Minimum Amount. If the Minimum Amount is greater than the Maximum Amount determined in this section, the Minimum Amount is paid out of the Fund during the Fiscal Year.
  - g) **Other payments from the Fund.** Nothing in this section has the effect of preventing or restricting payments out of the Fund permitted under section 10 of this addendum.
7. **Permitted transfers prior to conversion.** The Annuitant may transfer all or part of the assets of the Fund:
  - a) to another LIF governed by Schedule 1.1 of the Regulation;
  - b) to a variable benefit account; or

- c) to purchase an immediate Life Annuity. For this purpose, the question of whether the Annuitant has a Spouse is determined at the date the Life Annuity is established.

The transfer is made within 30 days of receipt of an application from the Annuitant in a form satisfactory to the Trustee, unless the assets consist of securities whose term of investment extends beyond the 30-day period. If assets in the Fund consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

8. **Conditions for transfer.** Before transferring assets from the Fund as mentioned in section 7, the Trustee ensures that the transfer is permitted under the Act and the Regulation and notifies the transferee in writing that the assets transferred are to be administered in accordance with the Act and the Regulation. The transferee must agree to abide by this condition.

9. **Subject to Family Law Act.** The value of the assets in the Fund and payments under a Life Annuity are subject to division in accordance with the terms of an order under the *Family Law Act*, a family arbitration award or a domestic contract. An order under Part I (Family Property) of the *Family Law Act*, a family arbitration award or a domestic contract is not effective to the extent that it purports to entitle a Spouse or former Spouse of the Annuitant to the transfer of a lump sum that exceeds 50 per cent of the assets in the Fund or to a share that exceeds 50 per cent of the payments under the Life Annuity, determined as of the family law valuation date.

10. **Permitted withdrawals.** A withdrawal, commutation or surrender of assets in the Fund, in whole or in part, is not permitted and will be void, unless authorized under section 49 or 67 of the Act, section 22.2 of the Regulation or this addendum such as in the following circumstances:

- a) **Lump sum withdrawal within 60 Days of a transfer.** If assets are transferred in the Fund from a pension fund, a LIRA, a LRIF or another LIF, the Annuitant may in relation to a transfer of assets made on or after January 1, 2010, either withdraw from the Fund or transfer from it to a registered retirement savings plan or RIF, an amount representing up to 50 per cent of the total market value of the assets transferred into the Fund (calculated on the day of the transfer).

The application for the withdrawal or transfer must be submitted by the Annuitant within 60 days after the assets are transferred into the Fund. If the assets consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

Despite the above, if the assets are transferred into the Fund from another LIF or a LRIF, the Annuitant cannot make a withdrawal or transfer described in this subsection unless the transfer into the Fund was made in accordance with the terms of an order under the *Family Law Act*, a family arbitration award or a domestic contract.

Despite the above, if the assets are transferred into the Fund from a variable benefit account, the Annuitant cannot make a withdrawal or transfer described in this subsection.

- b) **Withdrawal of small balance at age 55.** The Annuitant may, on application to the Trustee, withdraw all the assets or transfer them to a registered retirement savings plan or RIF if the following conditions are met at the time he or she signs the application:

- i) he or she is at least 55 years of age; and
- ii) the value of all assets in all LIFs, LRIFs and LIRAs owned by him or her, determined using the most recent statement about each fund or account given to the Annuitant (each such statement to be dated within one year before the Annuitant signs the application), is less than 40% of the Year's Maximum Pensionable Earnings for the calendar year in which the application is made.

If assets in the Fund consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

- c) **Shortened life expectancy withdrawal.** The Annuitant may, on application to the Trustee, withdraw all or part of the assets if the following conditions are met:

- i) At the time the Annuitant signs the application, he or she has an illness or physical disability that is likely to shorten his or her life expectancy to less than two years;
- ii) The signed application of the Annuitant is accompanied by a statement signed by a physician who is licensed to practice medicine in a jurisdiction in Canada that, in the opinion of the physician, the Annuitant has an illness or physical disability that is likely to shorten his or her life expectancy to less than two years.

- d) **Excess transfer withdrawal.** The Annuitant may, on application to the Trustee, withdraw an amount, calculated by the Trustee as of the date of withdrawal, not greater than the sum of:

- i) the **"Excess Amount"**, that is the amount transferred under clause 42(1)(b) or subsection 42(12) of the Act, directly or indirectly, into the Fund that is greater than the amount prescribed for such transfer under the Tax Act; and
- ii) any subsequent investment earnings, including any unrealized capital gains or losses, attributable to the Excess Amount,

provided that the application is made on a form approved by the Chief Executive Officer, signed by the Annuitant, submitted to the Trustee and is accompanied by one of the following documents:

- iii) A written statement from the administrator of the pension plan from which money was transferred into the Fund setting out the Excess Amount; or
- iv) A written statement from the Canada Revenue Agency setting out the Excess Amount.

- e) **Non-resident withdrawal.** The Annuitant may, on application to the Trustee, withdraw all the assets, if the following conditions are met:

- i) At the time the Annuitant signs the application, he or she is a non-resident of Canada as determined by the Canada Revenue Agency for the purposes of the Tax Act;
- ii) The application is made at least 24 months after his or her date of departure from Canada; and
- iii) The signed application of the Annuitant is accompanied by a written determination from the Canada Revenue Agency that the Annuitant is a non-resident for the purposes of the Tax Act.

- f) **Withdrawal for special needs.** The Annuitant may, on application to the Trustee, withdraw all or part of the assets in any of the following situations:

- i) **Medical expenses.** The Annuitant, his or her Spouse, or a dependant has incurred or will incur medical expenses relating to an illness or physical disability of any of them.

For the purposes of this paragraph:

**"dependant"** is a person who was dependent on the Annuitant or the Annuitant's Spouse for support at some time during the calendar year in which the application is signed or during the previous calendar year.

**"medical expenses"** includes (a) expenses for goods and services of a medical or dental nature; and (b) expenses incurred or to be incurred for renovations or alterations to the Annuitant or the dependant's principal residence (as defined in the following paragraph) and any additional expenses incurred in the construction of a principal residence made necessary by the illness or physical disability of the Annuitant, his or her Spouse or a dependant.

The application must be signed by the Annuitant and be accompanied by the following documents:

1. A statement signed by a physician or dentist, as applicable, indicating that, in his or her opinion, the expenses claimed are or were necessary for the person's treatment. The physician or dentist must be licensed to practise medicine or dentistry, as the case may be, in a jurisdiction in Canada;
2. A copy of the receipts or the estimate to account for the total amount of the medical expenses being claimed.

Only one application may be made under this paragraph during a calendar year in respect of a particular person. The application must specify the amount to be withdrawn from the Fund.

The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of "X" and "G" where,

"X" is 50 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

"G" is the sum of the amount of the person's medical expenses that have been incurred and an estimate of the total amount of the person's medical expenses for the 12 months after the date on which the application is signed.

If the maximum amount calculated above is less than \$500, no withdrawal from the Fund is permitted.

- ii) **Threat of eviction.** The Annuitant or his or her Spouse has received a written demand and the Annuitant could face eviction if the debt or amount in default described hereunder remains unpaid:

1. Arrears in the payment of a rent on the Annuitant's principal residence;
2. Default on a debt that is secured against the Annuitant's principal residence.

For the purposes of this paragraph, the term **"principal residence"** refers to a premises, including a non-seasonal mobile home, that is occupied by the Annuitant as his or her primary place of residence.

Only one application may be made under this paragraph during a calendar year. The application must be signed by the Annuitant and be accompanied by a copy of the written demand. The application must specify the amount to be withdrawn from the Fund.

The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of "X" and "H" where,

"X" is 50 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

"H" is, with respect to arrears in the payment of rent, the sum of the total amount of arrears of rent and the total amount of rent payable for a period of 12 months or, with respect to a default on a secured debt, the sum of the total amount of the payments that are in default and the total amount of payments due and interest payable on the debt for the 12 months after the date on which the application is signed.

If the maximum amount calculated above is less than \$500, no withdrawal from the Fund is permitted.

- iii) **Payment of rent.** The Annuitant or his or her Spouse requires money to pay the first and last months' rent to obtain a principal residence for the Annuitant.

For the purposes of this paragraph, the term “**principal residence**” means a premises, including a non-seasonal mobile home, that is intended to be occupied by the Annuitant as his or her primary place of residence.

Only one application may be made under this paragraph during a calendar year. The application must be signed by the Annuitant and be accompanied by a copy of the rental agreement, if available. The application must specify the amount to be withdrawn from the Fund.

The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of “J” and “K” where,

- “J” is 5 per cent of the Year’s Maximum Pensionable Earnings for the year in which the application is signed, and
- “K” is the amount required for the first and last months’ rent.

If the maximum amount calculated above is less than \$500, no withdrawal from the Fund is permitted.

- iv) **Low expected income.** The Annuitant’s expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed is 66 2/3 per cent or less of the Year’s Maximum Pensionable Earnings for the year in which the application is signed.

For the purposes of this paragraph, the Annuitant’s expected total income from all sources, before taxes, does not include the items listed in subsection 11.4(7) of Schedule 1.1 of the Regulation.

The application must be signed by the Annuitant and be accompanied by a statement, signed by the Annuitant, setting out the amount of his or her expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed.

Only one application may be made under this paragraph during a calendar year. The application must specify the amount to be withdrawn from the Fund.

The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is calculated using the formula X–L in which:

- “X” is 50 per cent of the Year’s Maximum Pensionable Earnings for the year in which the application is signed, and
- “L” is 75 per cent of the Annuitant’s expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed.

If the maximum amount calculated above is less than \$500, no withdrawal from the Fund is permitted.

- 11. Conditions for withdrawal.** All applications described in section 10 must be made on a form approved by the Chief Executive Officer. Provided the Annuitant is entitled thereto, the Trustee makes the payment or transfer within 30 days after receiving the completed application and the required accompanying documents.

The Trustee is entitled to rely on the information provided by the Annuitant in an application. An application that meets the applicable requirements authorizes the Trustee to make the payment or transfer from the Fund. The Trustee gives the Annuitant a receipt for all documents received, stating the date on which they were received.

Any document required to bear the signature of the Annuitant or his or her Spouse is void if it is signed more than 60 days before it is received by the Trustee.

All applications must be accompanied by one of the following documents (except the withdrawal provided for in subsection 10 d)):

- a) A Declaration about a Spouse; or
- b) A statement signed by the Annuitant attesting to the fact that none of the assets in the Fund is derived, directly or indirectly, from a pension benefit provided in respect of any employment of the Annuitant.

For all applications made under subsection 10f), when a document is required, it is a nullity if signed or dated more than 12 months before the Trustee receives it. All such applications must also be accompanied by a statement, signed by the Annuitant, that he or she understands that assets released are not exempt under section 66 of the Act from execution, seizure or attachment.

- 12. Death of the Annuitant.** On the death of the Annuitant, the Annuitant’s Spouse or, if there is none at the date of the death or if the Spouse is otherwise disentitled, the Annuitant’s named beneficiary or, if there is none, the Annuitant’s estate is entitled to receive a benefit equal to the value of the assets in the Fund. Such benefit may be transferred to a registered retirement savings plan or a RIF in accordance with the Tax Act.

The Spouse is not entitled to receive the value of the assets in the Fund unless the Annuitant was a member or former member of a pension plan from which assets were transferred directly or indirectly to purchase the Fund. A spouse living separate and apart from the Annuitant on the date of the Annuitant’s death is not entitled to receive the value of the assets in the Fund.

The Spouse may waive his or her entitlement to receive the survivor’s benefit by delivering to the Trustee a written waiver in a form approved by the Chief Executive Officer. The Spouse who has delivered such a waiver may cancel it by delivering a written and signed notice of cancellation to the Trustee before the date of the death of the Annuitant.

No payment is made unless and until the Trustee receives releases and other documents as it may reasonably require.

For the purposes of this section, the value of the assets in the Fund includes all accumulated investment earnings, including any unrealized capital gains and losses, of the Fund from the date of death until the date of payment.

- 13. Amendment.** The Trustee is required to provide at least 90 days notice of a proposed amendment to this addendum to the Annuitant at his or her last known address on file.

The Trustee may not amend this addendum if the amendment would result in a reduction in the Annuitant’s rights unless,

- a) the Trustee is required by law to make the amendment; and
- b) the Annuitant is entitled to transfer the assets in the Fund under the terms of the addendum that exist before the amendment is made.

In such a case, the Trustee notifies the Annuitant of the nature of the amendment and allows him or her at least 90 days after the notice is given to transfer all or part of the assets in the Fund.

This addendum may be amended only insofar as the Fund remains in conformity with the Act, the Regulation and the Tax Act.

- 14. Statements.** The Trustee provides to the Annuitant, at the beginning of each Fiscal Year of the Fund, a statement containing the following information:

- a) The assets deposited, any accumulated investment earnings, including any unrealized capital gains or losses, the payments made out of the Fund, the withdrawals taken out of the Fund and the fees charged against it during the previous Fiscal Year;
- b) The value of the assets in the Fund as of the beginning of the Fiscal Year;
- c) The Minimum Amount that must be paid out of the Fund and the Maximum Amount that may be paid out of the Fund to the Annuitant during the current Fiscal Year.

If the assets in the Fund are transferred pursuant to section 7, the information described above is determined as of the date of the transfer. Upon the death of the Annuitant, the information described above is determined as of the date of the death and is provided to the person entitled to receive the assets in the Fund.

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

- a) The assets transferred herein pursuant to the Act and the Regulation are locked-in assets resulting directly or indirectly from the commuted value of a pension benefit;
- b) The provisions of the pension plan do not prohibit the Annuitant from entering into this addendum and, in the event that such prohibition does exist, the Trustee is not liable for the consequences to the Annuitant of executing this addendum nor for anything done in accordance with the provisions hereof;
- c) The Annuitant has the consent of his or her Spouse, in prescribed form, for the establishment of and transfer of assets into the Fund, or is exempt from obtaining this consent under the Regulation; and
- d) The commuted value of the pension benefit transferred herein is not determined in a manner that differentiates on the basis of sex, unless otherwise indicated in writing to the Trustee.

- 16. Governing law.** This addendum is to be governed by and construed in accordance with the laws applicable in the Province of Ontario.

- 17. Effective date.** This addendum takes effect on the date of transfer of assets into the Fund.