

**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.** 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:
- “**Act**” means the *Supplemental Pension Plans Act* (Québec);
  - “**Fiscal Year**”, in connection with the Fund, means a calendar year terminating on December 31 and not exceeding twelve months;
  - “**LIF**” refers to a life income fund, namely a RIF that meets the requirements set out in sections 18 and following of the Regulation;
  - “**LIRA**” refers to a locked-in retirement account, namely a registered retirement savings plan within the meaning of the Tax Act that meets the requirements set out in section 29 of the Regulation;
  - “**Reference Rate**” refers to the higher of the following rates:
    - The month-end, nominal rate of interest 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:
      - an increase of 0.5%;
      - the conversion of the increased rate, based on interest compounded semi-annually, to an effective annual rate of interest;
      - the rounding of the effective interest rate to the nearest multiple of 0.5%.
    - A rate of 6%;
  - “**Regulation**” means the *Regulation respecting supplemental pension plans* adopted under the Act;
  - “**RIF**” means a retirement income fund within the meaning of the Tax Act that is registered under that Act;
  - “**Spouse**” has the meaning assigned 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 the provisions of the Tax Act respecting a RIF;
  - “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations adopted thereunder.
- 2. Purpose of the Fund:** 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.
- 3. Contributions:** The only assets that may be transferred to the Fund are those coming directly or initially from:
- a pension plan subject to the Act;
  - a supplemental pension plan governed by an act emanating from a legislative authority other than the Parliament of Québec and granting entitlement to a deferred pension;
  - a supplemental pension plan established by an act emanating from the Parliament of Québec or from another legislative authority;
  - the locked-in account of a voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act*;
  - the locked-in account of an equivalent voluntary retirement savings plan emanating from a legislative authority other than the Parliament of Québec, provided the member joins that plan as part of his employment;
  - a LIRA;
  - another LIF; or
  - an annuity contract referred to in section 30 of the Regulation.
- The assets transferred to the Fund are deemed to come entirely from another LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from the locked-in account of a voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* that offers variable payments, unless the Annuitant sends a declaration to the Trustee that is compliant with schedule 0.9 or 0.9.1, as applicable.
- 4. 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, a transfer of assets or a conversion into a pension. Any such determination by the Trustee is conclusive for all purposes hereof.
- 5. 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.
- 6. Payments:** Payments out of the Fund are subject to the following conditions:
- Annual payments:** The amount of income payable during each Fiscal Year is, subject to the minimum and maximum provided for in subsections 6 b) and 6 c), 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 a notice for a given Fiscal Year, he is deemed to have elected to receive the minimum amount provided for in subsection 6 b) for that year.
  - Minimum payment:** The amount of income paid out of the Fund during a Fiscal Year may not be less than the minimum amount prescribed in the Tax Act, determined on the basis of the Annuitant's age or the age of the Annuitant's Spouse if he is younger than the Annuitant.
  - Maximum payment:** The amount of income paid out during a Fiscal Year of the Fund may 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 7 c) or 8 b) or, if no amount has been determined, zero;  
 “E” represents the maximum life income determined according to subsection 6 d).
  - Maximum life income:** The maximum amount of the life income for a Fiscal Year of the Fund is equal to the amount “E” in the following formula (which cannot be less than zero):  

$$F \times C - \frac{A}{D} = E$$
 where  
 “F” is the factor provided for in schedule 0.6 of the Regulation with respect to the reference rate for the year covered by the Fiscal Year and the Annuitant's age at the end of the preceding year;  
 “C” is the balance of the Fund at the beginning of the Fiscal Year, increased by any sums transferred to the Fund after that date and reduced by any sums originating directly or not during the same year from a LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and offering variable payments;  
 “A” is the maximum temporary income for the Fiscal Year determined according to subsection 7 c) or 8 b) or, if no amount has been determined, zero;  
 “D” is the factor provided for in schedule 0.7 of the Regulation with respect to the Annuitant's age at the end of the year preceding the one covered by the Fiscal Year.
- 7. Payment of temporary income (persons aged 54 to 64):**
- Temporary income:** The Annuitant is entitled to receive a temporary income in the amount he determines if he:
    - submits an application to the Trustee to that effect, accompanied with a declaration in conformity with the one prescribed in schedule 0.4 of the Regulation; and
    - is at least 54 years of age but under 65 at the end of the year preceding the application.
 If the payment of a portion of the income is made in the form of a transfer to a retirement savings instrument of which the balance is not to be converted to a life annuity, such portion may not exceed the maximum referred to in subsection 6 d), determined by assuming that the Annuitant is not entitled to payment of a temporary income. In addition, the temporary income may not be paid after the end of the year in which the Annuitant reaches 65 years of age.
  - Reference temporary income:** Where the Annuitant is at least 54 years of age but less than 65 at the end of the year preceding the one covered by a Fiscal Year of the Fund, the Trustee must establish a reference temporary income that is equal to the lesser of the following amounts:
    - 40% of the maximum pensionable earnings determined, for the year covered by the Fiscal Year, pursuant to the *Act respecting the Québec Pension Plan*;
    - the amount “R” in the following formula:  

$$F \times C \times D = R$$
 where  
 “F” is the factor provided for in schedule 0.6 of the Regulation with respect to the reference rate for the year covered by the

Fiscal Year and the Annuitant's age at the end of the preceding year;

"C" is the balance of the Fund at the beginning of the Fiscal Year, increased by the sums transferred to the Fund after that date and reduced by the sums originating directly or not during the same year from a LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and offering variable payments;

"D" is the factor provided for in schedule 0.7 of the Regulation with respect to the Annuitant's age at the end of the year preceding the one covered by the Fiscal Year.

c) **Maximum temporary income:** The Annuitant who is entitled to payment of the temporary income referred to in subsection 7 a) can set, for each Fiscal Year of the Fund, a maximum temporary income that does not exceed the lesser of the following amounts:

- i. the reference temporary income established according to subsection 7 b);
- ii. the amount "X" in the following formula:

$$G - T = X$$

where

"G" is equal to 40% of the maximum pensionable earnings determined, for the year covered by the Fiscal Year, pursuant to the *Act respecting the Québec Pension Plan*;

"T" is the sum of the following amounts:

(1) the total temporary income that the Annuitant must receive during the year covered by the Fiscal Year under a pension plan subject to or established by law or under a contract creating a pension of which the capital comes directly or not from such a plan;

(2) the total of the amounts that the Annuitant has determined or must determine for his other LIFs, in the form of a maximum temporary income for the current Fiscal Year;

(3) the total of the amounts that the Annuitant has determined or must determine for the locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* for the maximum temporary variable payments for the current Fiscal Year.

However, in the event that the reference temporary income determined in accordance with subsection 7 b) is less than the amount "X" above, where the Annuitant provides to the Trustee a declaration in conformity with that prescribed in schedule 0.8 of the Regulation, the Annuitant may determine, as the maximum temporary income, an amount that does not exceed the lesser of the following amounts:

- i. the amount "X" above;
- ii. the balance of the Fund at the beginning of the Fiscal Year, increased by any sums transferred to the Fund and any income earned by the Fund after that date and reduced by any sums originating directly or not during the same year from a LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and that offering variable payments.

The Annuitant may, at any time before the end of the Fiscal Year, determine a new, increased, maximum temporary income for the Fiscal Year. In such event, he must submit to the Trustee declarations in conformity with those in schedules 0.4 and 0.8 of the Regulation.

#### 8. Payment of temporary income (persons younger than 54 years of age):

a) **Temporary income:** The Annuitant may, during a Fiscal Year of the Fund, receive on application all or part of the balance of the Fund in the form of a temporary income payable in monthly payments, none of which may exceed 1/12 of the difference between the following amounts:

- (1) 40% of the maximum pensionable earnings determined, for the year in which the payment is made, pursuant to the *Act respecting the Québec Pension Plan*;
- (2) 75% of the Annuitant's income for the 12 months that follow, excluding the income provided for in this subsection,

and provided that the following conditions are met:

- i. the Annuitant's income for the 12 months that follow, excluding the income provided for in this subsection, 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 in conformity to the one prescribed in schedule 0.5 of the Regulation and a written undertaking to request a suspension of payments as soon as his income, excluding the income provided for in this subsection, reaches the amount referred to in point (1) above;
- iii. the Annuitant was less than 54 years of age at the end of the year preceding his application.

The income provided for in this subsection may not be paid to the Annuitant where he has requested a suspension of payments nor after the end of the year in which he reaches 54 years of age.

The Annuitant who is entitled to receive the income referred to in this subsection 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 at the beginning of this subsection;
- (2) the value of his benefits under the pension plan.

Where 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:** The Trustee determines the maximum temporary income for the Fiscal Year of the Fund (which cannot be less than zero) on receipt of an application in accordance with subsection 8 a). This income is equal to the product of multiplying the maximum monthly payment set in accordance with subsection 8 a) 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 8 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 Division II.3 of the Regulation.

9. **Authorized withdrawals:** A withdrawal, commutation or surrender of all or part of the assets held in the Fund is not permitted and will be void, except in the following circumstances:

a) **Withdrawal of small balance at age 65:** The Annuitant may, on application to the Trustee, withdraw the entire balance of the Fund in a lump sum, if the following conditions are met:

- i. the Annuitant provides the Trustee with a declaration in conformity with the one prescribed in schedule 0.2 of the Regulation;
- ii. the Annuitant was at least 65 at the end of the year preceding the application; and
- iii. the total assets credited to him in the retirement savings instruments referred to in schedule 0.2 of the Regulation do not exceed 40% of the maximum pensionable earnings determined in accordance with the *Act respecting the Québec Pension Plan* for the year in which the Annuitant applies for the payment.

b) **Non-resident withdrawal:** Unless the term of the investments has not expired, the Annuitant may require that the total balance of the Fund be paid to him in a lump sum if he has not resided in Canada since at least two years.

The Trustee is entitled to rely on the information provided by the Annuitant in an application submitted according to this section.

The payment is made within a reasonable time after the necessary formalities are completed.

10. **Authorized transfers:** Unless the term of the investments in the Fund has not expired, the Annuitant may transfer all or a portion of the balance of the Fund to:

- a) a pension plan governed by the Act;
- b) a supplemental pension plan governed by an act emanating from a legislative authority other than the Parliament of Québec and granting entitlement to a deferred pension;
- c) a supplemental pension plan established by an act of the Parliament of Québec or from 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 emanating from a legislative authority other than the Parliament of Québec, provided the member joins that plan as part of his employment;
- f) another LIF;
- g) a LIRA; or
- h) an annuity contract referred to in section 30 of the Regulation and that complies with the relevant provisions of the Tax Act.

The Annuitant's application for transfer must be in a form satisfactory to the Trustee. The transfer is made within a reasonable time after the necessary formalities are completed.

11. **Conversion of the balance into a life pension:** The conversion of all or a portion of the balance of the Fund into a life pension can only be carried out according to the following conditions:

- a) the insurer guarantees payment of that pension in equal periodic amounts that may not vary unless each of them is uniformly increased according to an index or rate provided for in the annuity contract or uniformly adjusted by reason of a seizure effected on the Annuitant's benefits, a redetermination of the Annuitant's pension, the partition of the Annuitant's benefits in favour of his Spouse, the payment of a temporary pension in accordance with the conditions provided for in section 91.1 of the Act or the option provided for in subparagraph 3 of the first paragraph of section 93 of the Act;
- b) in the event of the death of the Annuitant who is a former member or member, the insurer guarantees to the Annuitant's Spouse, who has not waived it, a life pension equal to at least 60% of the Annuitant's pension amount, including, during the replacement period, the amount of any temporary pension;
- c) the term of the investments comprising the Fund has expired.

- 12. Death of the Annuitant:** Where the Annuitant who is a former member or a member dies before conversion of the total balance of the Fund into a life pension, his Spouse or, if he has no Spouse, his successors are entitled to a benefit in an amount equal to this balance. No such payment is made unless and until the Trustee receives releases and/or other documents as it may reasonably require.
- 13. Spouse's waiver:** The Annuitant's Spouse may, by giving written notice to the Trustee, waive his right to receive the pension or the payment provided for in sections 11 and 12 and may revoke such a waiver by submitting a written notice to that effect to the Trustee before the date of conversion of all or part of the balance of the Fund into a life pension or the Annuitant's death, as the case may be.
- 14. Separation and divorce:** The Annuitant's Spouse ceases to be entitled to the benefit provided for in section 11 or, as the case may be, in section 12 upon separation from bed and board, divorce, marriage annulment, dissolution or annulment of civil union or, in the case of a Spouse who is not married or civil union Spouse, upon cessation of conjugal relationship, unless the Annuitant submits the notice provided for in section 89 of the Act to the Trustee.
- 15. Seizure for unpaid alimony:** 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.
- 16. Statements:** The Trustee will 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.
- 17. Irregular payment:** If the income paid to the Annuitant during a Fiscal Year of the Fund exceeds the maximum amount that may be paid to him in accordance with the Regulation or this addendum, the Annuitant may, unless this payment is related to a false declaration on his part, require that the Trustee pay him, as a penalty, an amount equal to the excess income paid.
- 18. Amendment:** The Trustee may make no amendment to this addendum that would have the effect of reducing benefits resulting therefrom unless it grants the Annuitant, before the date of the amendment, the right to transfer the balance of the Fund 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 from which he may exercise such right.
- The Trustee may not, except to fulfil requirements under law, make any amendment to this addendum other than that provided for in this section without prior notice to the Annuitant.
- The Trustee may amend this addendum only to the extent that it remains in conformity with the standard addendum amended and registered with Retraite Québec and with the Tax Act.
- 19. Identifiable securities:** Where investments held in the Fund consist of identifiable and transferable securities, the Trustee may, unless otherwise stipulated, carry out the transfer referred to in sections 10 and 18 by the remittance of these securities.
- 20. Representations and warranties of the Annuitant:** The Annuitant represents and warrants the following to the Trustee:
- 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; and
  - 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.
- 21. Governing law:** This addendum is to be governed by and construed in accordance with the laws applicable in the Province of Québec.
- 22. Effective date:** This addendum takes effect on the date of transfer of assets into the Fund.

Natcan Trust Company  
800 St-Jacques Street, Suite 91991,  
Montreal, Quebec, H3C 1A3