

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;
- C. The Annuitant has duly completed and signed Part I of **Form 3.2** (attached herein) and the pension plan administrator or financial institution effecting the transfer has duly completed and signed Part II of **Form 3.2**.

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* (New Brunswick);
 - b) “**Fiscal Year**”, in connection with the Fund, means a calendar year terminating at midnight on December 31 that cannot exceed 12 months;
 - c) “**LIF**” refers to a life income fund, namely a RIF that meets the requirements set out in section 22 of the Regulation;
 - d) “**Life Annuity**” means a life or deferred life annuity contract that conforms with section 23 of the Regulation, the Act and paragraph 60(l) of the Tax Act;
 - e) “**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 21 of the Regulation;
 - f) “**Minimum Amount**” means the amount referred to in subsection 6 c) hereof, that cannot be lower than the minimum amount prescribed in the Tax Act;
 - g) “**Maximum Amount**” means the amount referred to in subsection 6 c) hereof;
 - h) “**Regulation**” means *Regulation 91-195* adopted pursuant to the Act;
 - i) “**RIF**” means a retirement income fund within the meaning of the Tax Act that is registered under that Act;
 - j) “**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;
 - k) “**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 pay the Annuitant an income, the amount of which may vary annually, until the day on which the entire balance of the assets in the Fund is converted into a Life Annuity. No assets that are not locked-in may be transferred to or held in 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.
The commuted value of the Annuitant’s benefits is determined in accordance with the Act and the Regulation if it is divided under section 44 of the Act.
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.** No assets transferred, including interest, may be assigned, charged, anticipated, given as security or subjected to execution, seizure, attachment or other process of law except under section 44 or subsection 57(6) of the Act.
No assets transferred, including interest, may be commuted or surrendered during the Annuitant’s lifetime except under section 8 of this addendum or under section 44 or subsection 57(6) of the Act.
A transaction in contravention of this section is void.
6. **Payments.** Payments to the Annuitant are subject to the following conditions:
 - a) **Commencement of payments.** Payments commence no later than the last day 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 the Maximum Amount, set by the Annuitant once every 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 for a given Fiscal Year, he or she is deemed to have elected to receive the Minimum Amount for that year.
 - c) **Maximum and Minimum Amount.** Subject to subsections 6 d) and 6 e), the amount of income payable during a Fiscal Year of the Fund cannot be more than “M” (“**Maximum Amount**”) or less than “m” (“**Minimum Amount**”), where “M” and “m” are calculated using the following formulas:
$$M = \frac{C}{F}$$
and
$$m = \frac{C}{H}$$
and where
C = the balance of assets in the Fund on the first day of the Fiscal Year;
F = the value, on the first day of the Fiscal Year, of a guaranteed pension, the annual payment of which is \$1 payable on the first day of each Fiscal Year between the 1st day of the Fiscal Year and the 31st day of December, inclusive, of the year in which the Annuitant attains the age of 90 years; and
H = the number of years between the 1st day of January of the year in which the calculation is made and the 31st day of December of the year in which the Annuitant attains the age of 90 years, inclusive.
The value of “F” is established at the beginning of each Fiscal Year using:
 - i) an interest rate of not more than 6% per year; or
 - ii) for the first 15 years after the date of the valuation of the Fund, an interest rate exceeding 6% per year if that rate does not exceed the interest rate obtained on long-term bonds issued by the government of Canada for the month of November preceding the calendar year in which the calculation is made, as published in the *Bank of Canada Review* as CANSIM Series B14013 and using an interest rate not exceeding 6% per year in subsequent years.
 - d) **Maximum Amount for first Fiscal Year.** For the first Fiscal Year of the Fund, “m” is equal to zero.
 - e) **Maximum Amount on transfer from another LIF.** If the assets in the Fund are derived from assets transferred directly or indirectly during the first Fiscal Year of the Fund from another LIF of the Annuitant, “M” is equal to zero.
7. **Permitted transfers.** The Annuitant may, at any time after the expiration of the term agreed to for the investments, transfer all or part of the balance of the Fund:
 - a) to the fund of a pension plan that conforms with the Act and the Regulation, or similar legislation in another jurisdiction, and the Tax Act, where permitted by the terms of such pension plan. The transfer to a pension plan that is not

registered in New Brunswick can only be carried out if the pension plan is registered for persons employed in a designated jurisdiction and the Annuitant is employed in that jurisdiction by an employer who is making contributions on his or her behalf to the pension fund that is to receive the assets to be transferred;

- b) to a LIRA;
- c) to another LIF;
- d) to purchase a Life Annuity;
- e) to a RIF (that is not a LIF), provided this transfer is approved by the Superintendent of Pensions pursuant to subsection 22(6.1) of the Regulation. Such approval is obtained by the Annuitant and, if applicable, his or her Spouse by filing with the Superintendent the prescribed forms. The Superintendent approves the transfer if:
 - i) an amount has never previously been transferred under this subsection or under subsection 22(6.1) of the Regulation on behalf of the Annuitant; and
 - ii) the amount to be transferred is not greater than the lesser of:
 - 1) 3 times the Maximum Amount (or "M"); and
 - 2) 25% of the balance in the Fund on the first day of the Fiscal Year in which the transfer is to be made.

The Annuitant's application must be in a form satisfactory to the Trustee. Subsections 21(8.1) to 21(11) of the Regulation and Form 3.2 apply to any transfer, with necessary modifications.

Transfers pursuant to subsections 7 a), 7 b), 7 c) and 13 a) are made within 30 days from the Annuitant's application provided that the term agreed to for the investments has expired. A transfer may, at the option of the Trustee, be effected by the remittance to the Annuitant of the investment securities held in the Fund.

8. Permitted withdrawals. A withdrawal, commutation or surrender of assets in the Fund, in whole or in part, is not permitted and will be void, except in the following circumstances:

- a) **Shortened life expectancy withdrawal.** The Annuitant may withdraw the balance of the Fund, in whole or in part, and receive a payment or series of payments upon application to the Trustee if the following conditions are met:
 - i) a physician certifies in writing to the Trustee that the Annuitant suffers from a significant physical or mental disability that considerably reduces life expectancy; and
 - ii) if he or she has a Spouse, the Annuitant delivers to the Trustee a waiver completed by the Spouse in the prescribed form (Form 3.01).
- b) **Non-resident.** The Annuitant may withdraw the balance of the Fund if the following conditions are met:
 - i) he or she and his or her Spouse, if any, are not Canadian citizens;
 - ii) he or she and his or her Spouse, if any, are not resident in Canada for the purposes of the Tax Act; and
 - iii) his or her Spouse, if any, waives, in the prescribed form (Form 3.5), any rights that he or she may have in the Fund under the Act, the Regulation or this addendum.

The Trustee is entitled to rely upon the information provided by the Annuitant in any application made pursuant to this section. The Trustee makes the payment within a reasonable time of receipt of the completed forms and required documents.

9. Statements to be provided by the Trustee

- a) The Trustee undertakes to provide the Annuitant, at the beginning of each Fiscal Year, until the date on which all the assets in the Fund are converted into a Life Annuity or transferred to another retirement savings arrangement that conforms to the Act and the Regulation, or to similar legislation in another jurisdiction, a statement containing the following information:
 - i) the amount of assets deposited, their source, the accumulated earnings of the Fund and the withdrawals from the Fund during the immediately preceding Fiscal Year;
 - ii) any fees deducted since the preparation of the previous statement and the balance of assets in the Fund at the beginning of the Fiscal Year;
 - iii) the Maximum Amount that may be paid to the Annuitant as income during the Fiscal Year (or "M"); and
 - iv) the Minimum Amount that must be paid to the Annuitant as income during the Fiscal Year (or "m").
- b) If the Annuitant dies before the purchase of a Life Annuity,

the Trustee provides the Annuitant's Spouse, beneficiary, administrator or executor, as the case may be, with a statement containing the information listed in paragraphs i) and ii) above, determined as of the date of the Annuitant's death.

- c) If the balance of the assets in the Fund is converted to a Life Annuity or transferred to another retirement savings arrangement that conforms to the Act and the Regulation or to similar legislation in another jurisdiction, the Trustee provides the Annuitant with a statement containing the information listed in paragraphs i) and ii) above, determined as of the date of the conversion or transfer.

10. Differentiation based on sex

- a) No assets, including interest, in the Fund may be used to purchase a Life Annuity that differentiates on the basis of the Annuitant's sex, unless the commuted value of the deferred pension transferred from the plan into the Fund was determined on transfer on the basis of such a distinction while the Annuitant was a member of the plan.
- b) If the information provided on form 3.2 indicates that the commuted value of the pension benefits transferred into the Fund was determined in a manner that differentiates on the basis of sex while the Annuitant was a member of the pension plan, only assets that are differentiated on the same basis may subsequently be transferred into the Fund.

11. Marriage breakdown. Sections 27 to 33 of the Regulation apply with the necessary modifications to the division of the assets in the Fund on the breakdown of a marriage or common-law partnership.

12. Death of the Annuitant. If the Annuitant dies before purchasing a Life Annuity, the balance of the Fund is paid:

- a) to the Annuitant's Spouse, unless the Spouse waives on Form 3.02 all rights that he or she may have in the Fund under the Act, the Regulation or this addendum;
- b) to a beneficiary on death designated by the Annuitant, if the Annuitant has a Spouse who has waived all rights as mentioned in subsection a) above or if the Annuitant does not have a Spouse; or
- c) to the estate of the Annuitant, if the Annuitant has a Spouse who has waived all rights as mentioned in subsection a) above or, if the Annuitant does not have a Spouse, if he or she has not designated a beneficiary on death.

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

13. Amendment. An amendment to this addendum may not be made:

- a) that would result in a reduction of the benefits arising from the Fund unless the Annuitant is entitled, before the effective date of the amendment, to transfer the balance of the money in the Fund in accordance with section 7 and a notice is delivered to him or her at least 90 days before such date, describing the amendment and the date on which the Annuitant may exercise the entitlement to transfer;
- b) unless the addendum as amended remains in conformity with the Act and the Regulation; or
- c) except to bring it into conformity with requirements under an Act of the Legislature or other legislation in another jurisdiction.

14. 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 pension benefits;
- 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; and
- c) The commuted value of the pension benefits transferred herein was not determined in a manner that differentiates on the basis of sex, unless otherwise indicated in writing to the Trustee on Form 3.2.

15. Governing law. This addendum is to be governed by and construed in accordance with the laws applicable in the Province of New Brunswick.

16. Effective date. This addendum takes effect on the date of transfer of assets into the Fund.