

Addendum for Quebec Life Income Funds (LIF)

Addendum for Quebec LIFs

This Addendum sets out further provisions that apply to LIFs which are subject to the *Quebec Supplemental Pension Plans Act* (the "Act") and the *Regulation Respecting Supplemental Pension Plans* (the "Regulation") thereunder, as amended from time to time.

This Addendum forms a part of the main LIF Agreement to which it is attached. In the case of any inconsistency between the main LIF Agreement and this Addendum, this Addendum shall prevail in all cases. Any references to prescribed content mean as prescribed by the Act or the Regulation, as applicable.

1. Source of funds

The only amounts that may be transferred into your LIF are those sums which originated either directly or initially from:

- (a) the fund of a registered pension plan governed by the Act,
- (b) a supplemental pension plan established by an act emanating from the Parliament of Quebec or from another legislative authority,
- (c) a supplemental pension plan governed by an act emanating from a legislative authority other than the Parliament of Quebec and granting entitlement to a deferred pension or,
- (d) a LIRA,
- (e) an annuity contract,
- (f) another LIF, or
- (g) the locked-in account of a voluntary retirement savings plan ("VRSP") governed by the Quebec Voluntary Retirement Savings Plans Act ("VRSP Act") or an equivalent VRSP emanating from a legislative authority other than the Parliament of Quebec, provided the member joins that plan as part of his employment or,

If you are under 55 years of age, the amounts transferred into your LIF are deemed to come in their entirety from another LIF or from a supplemental pension plan that offers variable benefits, unless you send us a declaration in the prescribed form.

2. Life annuity

The balance of your LIF may be converted to a life annuity only if the insurer guarantees payment of a pension in periodic, equal amounts that will not vary, unless each amount paid is:

- (a) uniformly increased by an index or rate provided for in the annuity contract which satisfies the requirements of subparagraphs 146(3)(b)(iii) to (v) of the Tax Act; or
- (b) uniformly adjusted by reason of:
 - (i) a seizure effected on your benefits,
 - (ii) a redetermination of your pension,
 - (iii) the partition of your benefits with your spouse, or
 - (iv) the election provided for in subparagraph 3 of the first paragraph of section 93 of the Act.

3. Estate matters

Should you die before the conversion of the balance of your LIF into a life pension, your spouse, or, failing that, your successors, are entitled to a benefit totaling the balance of the LIF.

The provisions of this section do not apply if you are not a member or former member of the pension plan from which the sums in the LIF directly or indirectly originated.

4. Entitlement of spouse

The balance in your LIF may not be converted into a life annuity guaranteed by an insurer unless, upon your death, a life pension equal to at least 60% of the

amount of the pension to which you would have been entitled before your death is granted to your spouse, unless your spouse has waived this right. The provisions of this section do not apply if you are not a member or former member of the pension plan from which the sums in the LIF directly or indirectly originated.

5. Spousal waivers

Your spouse may, by giving us written notice, waive his or her right to receive the benefit provided for in section 3 of this Addendum or the pension provided for in section 4 of this Addendum and may revoke such a waiver by giving us written notice to that effect before your death, in the case referred to in section 3 of this Addendum or, in the case referred to in section 4 of this Addendum, the date of conversion, in whole or in part, of the balance in your LIF to a life annuity.

6. Relationship breakdown

Your spouse ceases to be entitled to the benefits set out in sections 3 and 4 of this Addendum upon separation from bed and board, divorce, nullity of marriage, nullity, or dissolution of a civil union or, in the case of a spouse who is not a married or civil union spouse, upon cessation of the conjugal relationship, except as otherwise provided for in section 89 of the Act.

7. Seizure for a support debt

The seizable part of the balance of your LIF may be paid in a lump sum in execution of a judgement rendered in favour of your spouse that gives entitlement to a seizure for unpaid alimony.

8. Calculating payments

- (a) *Maximum Life Income* - If you are under 55 years of age, the maximum amount which will be paid out of your LIF for a fiscal year will be determined by multiplying the reference rate for the year by the balance of your LIF at the beginning of the fiscal year (plus any amounts transferred into the fund after that date minus any amounts coming from another LIF you own or from a Quebec VRSP that you own). From this figure will be subtracted the fiscal year's maximum temporary income (or zero if this amount has not been determined.) The maximum amount cannot be less than zero.
- (b) *Estimated Life Income* - If you are between 55 years of age to 94 years of age, your estimated amount of life income will be determined by dividing the balance of your LIF on the date of the estimate by 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 you reach 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 herein above, based on interest compounded semiannually, 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 estimated life income amount may not be lower than the lower limit determined by subsection 10(b).

- (c) *Estimated Life Income* - If you are 95 years of age or over, your estimated amount of life income will be determined by dividing the balance of your LIF on the date of the estimate by 1.

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(d) *Maximum Temporary Income* - If you are under 55 years of age, we will determine the maximum temporary income for the fiscal year of the LIF following presentation of an application in accordance with subsection 9. That income shall be equal to the product of multiplying the maximum monthly payment set in accordance with subsection 9 by the number of months remaining in the year as of the first day of the month of the application or, where you are entitled, for that month, to a temporary income by reason of a prior application, as of the first day of the following month; added to that product, where applicable, is any income provided for in subsection 9 and paid to you during the year but prior to payment of the income payable as a consequence of the application and minus any income paid to you, during the same period, from another LIF or from a supplemental pension plan that offers variable benefits. The maximum temporary income for the fiscal year may not be less than zero.

(e) *Reference Rate* - The reference rate for a year is determined on the basis of the month-end, nominal interest rate earned on long-term Government of Canada bonds 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%.

The reference rate may not, however, be less than 6.25%.

9. Temporary Income

(a) If you are under 55 years of age, you may, during a fiscal year of the LIF, receive on application the balance of the LIF, in whole or in part, in the form of a temporary income payable in monthly payments, none of which may exceed 1/12 of the difference between: (1) 50% of the maximum pensionable earnings determined, for the year in which the payment is made; and (2) 100% of your income for the 12 months that follow, excluding the income provided for in this paragraph, calculated on an annual basis, provided the following are met:

- (i) your income for the 12 months that follow, excluding the income provided for in this section, does not exceed the amount referred to in subparagraph (1) above,
- (ii) you make an application to us to that effect, accompanied with a declaration which conforms to the prescribed form and your written undertaking to request a suspension of payments as soon as your income, excluding the income provided for in this section, reaches the amount referred to in subparagraph (1) above.

(b) The temporary income may not be paid to you when you have requested a suspension of payments nor after the end of the year in which you reach 55 years of age. You who are entitled to receive the income referred to in this section and are a member or a 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 LIF or an amount equal to the lesser of the following amounts:

- (i) the additional amount required for the balance of the LIF to allow, until the end of the year, the payment of the monthly payments provided for in the first paragraph; and
- (ii) the value of your benefits under the plan.

10. Payments

You must fix the amount of annuity paid in each fiscal year annually, subject to the following limits:

- (a) *Maximum Amount of Income paid* — If you are under 55 years of age, the amount of the income paid to you during a fiscal year of the LIF may not exceed the sum of the fiscal year's maximum temporary income determined in accordance with subsection 8(d) or, if no amount was determined, the figure zero the maximum life income determined in accordance with subsection 8(a).
- (b) *Minimum Amount of Income paid* — The amount of the income paid or payment of all or part of the balance of the LIF, in one or more instalments to you during the fiscal year of the LIF may not be less than the minimum amount prescribed by the Taxation Act (Quebec), determined on the basis of your age. That amount may be determined on the basis of the age of your spouse where your spouse is younger than you.
- (c) If you are 55 years of age and over, you may set for each year the amount of the payment to be received in one or more instalments. Despite the amount of the life income referred to in subparagraphs 8(b) and (c), all or part of the balance of the life income fund may, unless the term of the investments has not expired, be paid in one or more instalments, on request to us made at any time during a fiscal year.

11. Transfers

Before the conversion of the total balance of your LIF to a life annuity, you may transfer all or part of the balance of the LIF to any of the contracts listed in subsections 1(a) to (g) of this Addendum, unless the agreed to term of the investments in the LIF has not yet expired.

The life or temporary income or, as the case may be, the payment of all or part of the balance of the LIF in one or more instalments, may not be transferred to directly to a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or a non-locked-in account in a voluntary retirement savings plan (VRSP).

12. Withdrawals

If you are 55 years of age or over, you may request at any time during a fiscal year to withdraw all or part of the balance of your LIF provided the term of the investments has expired. This may be paid to you in one or more instalments. This is regardless of the estimated amount of the life income or of the payment in one or more instalments determined or received by you for the fiscal year.

The withdrawals are subject to the lower limit referred to in subsection 10(b), set by you each year.

The amount of the life income that may be provided with the sums held by you is estimated following subsection 8(b) and (c). However, this amount does not affect the payments referred to in 12(a).

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13. Responsibility

If we pay you more than the maximum amount permitted by this Agreement and the applicable pension legislation, you may, unless the payment is attributable to a false declaration which you have made, require that we pay you, as a penalty, a sum equal to the surplus income paid.

14. Amendments

We will not amend this Agreement in a manner that would entail a reduction of the benefits under it, unless we allow you, prior to the date of the amendment, to transfer the balance of your LIF as permitted by this Agreement. We will give you a notice at least 90 days prior to the effective date of the amendment indicating the nature of the amendment and the date before which you can transfer the assets in your LIF.

We will not, except to fulfill the requirements of the law, make any amendments to this Agreement, other than those provided for in this section, without giving you prior notice.

We may amend this Agreement only to the extent that it remains in conformity with the standard contract which has been filed with Retraite Québec.

15. Transfer of investment securities

The transfers referred to in section 11 of this Addendum may, at our option and unless otherwise stipulated, be effected by the remittance of the investment securities in your LIF.

16. Statements

At the beginning of each fiscal year, we will provide you with a statement that shows the following information for your LIF:

- (a) The balance of the LIF as of that date, a reconciliation of that amount with the balance indicated at the beginning of the previous fiscal year, including cash, the accumulated earnings, any withdrawals and any fees charged.
- (b) If the beginning of the fiscal year is later than the beginning of the calendar year, and where you are under 55 years of age, any amount which has been transferred in during the year directly or indirectly from any other LIF or from a supplemental pension plan that offers variable benefits.
- (c) The minimum amount that must be paid to you as income or payment, in one or more instalments during the current fiscal year
- (d) If you are under 55 years of age at the end of the preceding year:
 - (i) the maximum life income referred to in subsection 8(a).
 - (ii) the conditions that you must meet to be entitled to the payment of the temporary income referred to in subsection 9.
 - (iii) that the transfer to the fund of sums originating directly or not from a LIF or from a supplemental pension plan that offers variable benefits may not result in a revision of the maximum amount that may be paid to you by the fund during the fiscal year.
 - (iv) that if you wish to transfer, in whole or in part, the balance of the LIF and still receive from the fund the life income that you determined for the fiscal year, you must ensure that the balance of the fund after the transfer is at least equal to the difference between the income determined for the fiscal year and the income that you have already received since the beginning of the fiscal year;

- (e) If you are 55 years of age or over at the end of the preceding year:
 - i. the estimated amount of the life income determined following subsection 8(b) or 8(c) for the current fiscal year. This estimate may vary because of withdrawals made and returns on the fund. This amount is provided for information purposes only, it has no impact on the amount that can be withdrawn.
 - ii. the assumptions used for the purposes of the estimate of the life income on the presumed age of death and the expected rate of return as outlined in subsections 8(b) and (c).
 - iii. the balance of the LIF, that all or part of the fund may, despite the estimated amount of the life income, and unless the term of the investments has not expired, be paid in one or more instalments, on request to us made at any time for the current fiscal year, and 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 you for the fiscal year.
- (f) If you will become 55 years of age during the fiscal year, you may avail yourself of the provisions of subparagraph 15(e)(iii) as soon as you reach 55 years of age. For the purposes of the application of the provisions, your income means the life income or temporary income determined or received by you for the current fiscal year.
- (g) We shall accompany the statement with a copy of the declarations that are prescribed.
- (h) Where you are under 55 years of age and sums are deposited, during the same year, in a fund managed by us or where you inform us of the maximum temporary income that you determine, we will, within the following 30 days, provide you with a statement that indicates the following:
 - (i) the balance of the fund at the beginning of the fiscal year and the sums that have been deposited therein identifying any amounts coming directly or not during that year from a LIF or from a supplemental pension plan that offers variable benefits.
 - (ii) the maximum amount that may be paid to you as income during the fiscal year and the balance of the fund used to calculate that amount.
 - (iii) the minimum amount that must be paid to you as income or that must be paid, in one or more instalments during the fiscal year.
- (i) Where you are 55 years of age and over and sums are deposited, during the same year, in a fund managed by us, we will, within the following 30 days, provide you with a statement that indicates the following:
 - (i) the amount of the life income determined in accordance with subsection 8(b) or (c), stating that the amount is an estimate and that it may vary in particular because of withdrawals made and returns on the fund.
 - (ii) the assumptions used for the purposes of the estimate of the life income regarding the presumed age of death and the expected rate of return.

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- (iii) the balance of the LIF, that all or part of the fund may, despite the estimated amount of the life income, and unless the term of the investments has not expired, be paid in one or more instalments, on request to us made at any time for the current fiscal year, and 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 you for the fiscal year.
- (iv) the minimum amount that must be paid to you as income or that must be paid, in one or more instalments during the fiscal year.
- (j) Where the sums deposited in the LIF do not change the maximum income to which you under 55 years of age are entitled, for the current fiscal year, we are not required to provide the statement referred to in subparagraph 16(h) and (i).
- (k) If you die, and you were a former member or a member, we will provide to your spouse or, failing that, to your successors a statement established at the date of death containing the information prescribed in subsection 16(a).
- (l) Also, where you transfer the balance of your LIF to another financial institution or convert it into a life pension, we will provide you with a statement as of the date of the transfer or conversion, as the case may be, which contains the prescribed information.