

Addendum

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 means as prescribed by the Act or the Regulation, as applicable.

1. Sources of Funds

The only amounts that may be transferred into your Scotia Self-Directed 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;
- (d) a LIRA;
- (e) an annuity contract referred to in section 30 of the regulations to the Act;
- (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.

The amounts transferred into your Scotia Self-Directed LIF are deemed to come in their entirety from another LIF or from the locked-in account of your VRSP governed by the VRSP Act and offering variable payment (cumulatively the "Quebec VRSP") unless you provide us with a declaration which conforms with the prescribed form.

2. Life Annuity

The balance of your Scotia Self-Directed 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 in accordance with 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 Scotia Self-Directed LIF into a life pension, your spouse, or, failing that, your successors, are entitled to a benefit totalling 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 Scotia Self-Directed LIF directly or indirectly originated.

4. Entitlement of Spouse

The balance in your Scotia Self-Directed LIF may not be converted into a life annuity guaranteed by an insurer unless, upon your death, a life pension equal to at least sixty percent (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 Scotia Self-Directed 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 Scotia Self-Directed 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 portion of the balance of your Scotia Self-Directed 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* - The maximum amount which will be paid out of your Scotia Self-Directed LIF for a fiscal year will be determined by multiplying the prescribed factor with respect to the reference rate for the year covered by the fiscal year and your age at the end of the preceding year by the balance of your Scotia Self-Directed 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). This figure will be subtracted from the amount determined by the fiscal year's maximum temporary income (or zero, if this amount has not been determined) divided by the factor provided in Schedule 0.7 with respect to your age at the end of the fiscal year preceding the one covered by the present fiscal year. The maximum amount cannot be less than zero.
- (b) *Reference Temporary Income* - While you are at least 54 years of age but less than 65 years of age at the end of the year preceding the fiscal year of the Scotia Self-Directed LIF, we shall establish a reference temporary income which shall be equal to the lesser of the following amounts:
 - (i) 40% of the Maximum Pensionable Earnings, determined for the year covered by the fiscal year, as prescribed; and
 - (ii) the result obtained by multiplying the factor provided for in the prescribed schedule with respect to the reference rate for the year covered by the fiscal year and your age at the end of the preceding year by 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 or a Quebec VRSP of yours, and by the prescribed factor provided for with respect to your age at the end of the year preceding the one covered by the fiscal year.

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- (c) *Maximum Temporary Income – Age 54-64* – You may determine, if subsection 9(a) applies to you, the fiscal year's maximum temporary income that may not exceed the lesser of the following amounts:
- the reference temporary income determined in accordance with subsection 8(b); and
 - the result obtained by subtracting from 40% of the Maximum Pensionable Earnings determined for the year covered by the fiscal year, as prescribed, the sum of the total temporary income that you 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, the total of the amounts that you have determined or that you must determine for your other LIFs, in the form of a maximum temporary income for the current fiscal year and, the total of the amounts that you have or must determine for your Quebec VRSPs for the maximum temporary variable payments for the current fiscal year.

In the event the reference temporary income determined in accordance with subsection 8 (b) is less than the amount determined above, then, where you provide to us a declaration which conforms to the prescribed form, you may determine, as the maximum temporary income, an amount that does not exceed the lesser of the amount above, and the balance of the Scotia Self-Directed LIF at the beginning of the fiscal year, increased by any sums transferred to the Scotia Self-Directed LIF and any income earned by the Scotia Self-Directed LIF after that date and decreased by any sums originating directly or not during the same year from another LIF or from a Quebec VRSP of yours.

You 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, you shall provide us with declarations which conform to the prescribed form.

- (d) *Maximum Temporary Income - Under Age 54* – We will determine the maximum temporary income for the fiscal year of the Scotia Self-Directed LIF following presentation of an application in accordance with subsection 9(b). That income shall be equal to the product of multiplying the maximum monthly payment set in accordance with subsection 9(b) 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(b) 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.
- (e) *Reference Rate* - The reference rate for a year is determined on the basis of the month-end, nominal interest 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) an increase of 0.5%; (2) the conversion of the increased rate, based on interest compounded semi-annually, to an effective annual rate of interest; and (3) the rounding of the effective interest rate to the nearest multiple of 0.5%. The reference rate may not, however, be less than 6%.

9. Temporary Income

- (a) *Age 54 - 65* - You are entitled to the payment of a temporary income if you:
- apply to us to that effect, accompanied with a declaration which conforms to the one set out in Schedule 0.4, and
 - are at least 54 years of age but under 65 years 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 amount which will be paid out of your Scotia Self-Directed LIF for a fiscal year, referred to in section 8, determined by assuming that you are not entitled to payment of a temporary pension. The temporary income may not be paid after the end of the year in which you reach 65 years of age.

- (b) *Under Age 54* - You may, during a fiscal year of the Scotia Self-Directed 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) 40% of the maximum pensionable earnings determined, for the year in which the payment is made; and (2) 75% 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:

- 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,
- 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, and
- you were less than 54 years of age at the end of the year that precedes your application.

The temporary income may not be paid to you where you have requested a suspension of payments nor after the end of the year in which you reach 54 years of age. You who are entitled to receive the income referred to in this subsection 9(b) 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 Scotia Self-Directed LIF or an amount equal to the lesser of the following amounts:

- The additional amount required for the balance of the Scotia Self-Directed LIF to allow, until the end of the year, the payment of the monthly payments provided for in the first paragraph; and
- The value of your benefits under the plan.

10. Payments

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

- Maximum Amount of Income Paid* - The amount of the income paid to you during a fiscal year of the Scotia Self-Directed LIF may not exceed the fiscal year's maximum temporary income determined in accordance with subsection 8(c) or 8(d) or, if no amount was determined, the figure zero and the maximum life income determined in accordance with subsection 8(a).
- Minimum Amount of Income Paid* - The amount of the income paid to you during the fiscal year of the Scotia Self-Directed LIF may not be less than the minimum amount prescribed by the

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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.

11. Transfers

Before the conversion of the total balance of your Scotia Self-Directed 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.

12. Withdrawals

You may make the following withdrawals from your Scotia Self-Directed LIF:

- (a) Provided that the agreed to term of the investments has expired and that you have not resided in Canada for at least two years, you may request that the total balance of your Scotia Self-Directed LIF be paid to you in a lump sum.
- (b) You may apply for a lump sum payment equal to the entire value of your Scotia Self-Directed LIF, if
 - (i) your application is accompanied with a declaration which conforms to the one set out in Schedule 0.2,
 - (ii) you are at least 65 years of age at the end of the year preceding the application, and
 - (iii) the total of the sums in all the retirement savings instruments referred to in Schedule 0.2 does not exceed 40% of the Maximum Pensionable Earnings, calculated in accordance with the *Act respecting the Quebec Pension Plan*, for the year in which you apply for payment.

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 Scotia Self-Directed LIF as permitted by this Agreement. We will give you a notice at least ninety (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 Scotia Self-Directed 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 Scotia Self-Directed LIF.

16. Statements

At the beginning of each fiscal year, we will provide you with a statement that indicates the following information for your Scotia Self-Directed 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, any amount which has been transferred in during the year directly or initially from any other LIF or Quebec VRSP you own.

- (c) The maximum amount that may be paid to you in the current fiscal year together with the minimum amount that must be paid to you in the fiscal year.
- (d) If you are at least 54 years of age but less than 65 years of age at the end of the preceding year:
 - (i) the terms and conditions that you must meet to be entitled to payment of the temporary income referred to in section 9,
 - (ii) the reference temporary income for the current fiscal year,
 - (iii) the effect of payment of an income greater than the maximum amount referred to in subsection 16 (c), for each year until the end of the year in which you reach 65 years of age, on the income that may be paid to you after that date, and
 - (iv) under what conditions you may obtain payment of a temporary income greater than the reference temporary income.
- (e) If you are less than 54 years of age at the end of the preceding year, the terms and conditions that you must meet to be entitled to payment of the temporary income.
- (f) That the transfer during a year, whether direct or indirect, from another LIF or Quebec VRSP which you own cannot change the maximum amount that can be paid to you out of the LIF for the fiscal year.
- (g) That if you wish to transfer, in whole or in part, the balance of your Scotia Self-Directed LIF and still receive the income which was determined to be paid for that fiscal year, you must ensure that enough money remains within the LIF after the transfer for this purpose.

If you are at least 54 years of age but less than 65 years of age at the end of the preceding year, we shall accompany the statement with a copy of the declarations that are prescribed.

If you transfer funds into your Scotia Self-Directed LIF which do not come directly or indirectly from a LIF or Quebec VRSP you own or if you inform us of the maximum temporary income that you determine, we will, within thirty days of the transfer, provide you with a statement that indicates the following information:

- (a) The balance of the LIF at the beginning of the fiscal year and the sums that have been deposited in the LIF, specifically identifying any amounts which come directly or indirectly during that year from a LIF or Quebec VRSP you own, as well as the balance of the fund for the purpose of calculating the maximum amount that may be paid to you as income in the fiscal year.
- (b) The maximum amount that may be paid to you as income in the fiscal year together with the minimum amount that must be paid to you in the fiscal year.
- (c) If you are at least 54 years of age but less than 65 years of age at the end of the preceding year, the reference temporary income for the current fiscal year and the maximum temporary income, if any, determined by you.

If you die before the total balance in your Scotia Self-Directed LIF has been converted to a life pension, we will provide your spouse or, failing that, your successors with a statement as of the date of your death which contains the prescribed information. The provisions of this paragraph do not apply, if you are not a member of former member of the pension plan from which the sums in the Scotia Self-Directed LIF directly or indirectly originated.

Also, where you transfer the balance of your Scotia Self-Directed 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.