

# Addendum

## Addendum for Newfoundland & Labrador LIFs

This Addendum sets out further provisions required by the applicable pension legislation of the province of **Newfoundland & Labrador**, including applicable regulations and any directives of the Superintendent of Pensions thereunder (collectively the 'applicable pension legislation').

For the purposes of this Addendum, the word "Act" means the *Pension Benefits Act*, 1997 (Newfoundland & Labrador), the word "Regulations" means the *Pension Benefits Act* Regulations made under the Act and the word "Directive" means the *Directives* made under the Act.

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.

The carrier of this Plan ("Plan Carrier") is The Bank of Nova Scotia Trust Company (Scotiastrust®), 44 King St. West, Toronto, Ontario M5H 1H1 acting through its agent Scotia Capital Inc.

### 1. Definitions

All terms in this Addendum which are used in the Act, Regulations or Directives have the same meaning as under the Act, Regulations or Directives. In this Addendum,

- "Fiscal Year" means a fiscal year of the LIF;
- "Plan" or "LIF" means the registered retirement income fund established in accordance with the *Income Tax Act* (Canada) that is locked-in in accordance with the Regulations and meets the conditions set out in the Directive, known as Life Income Fund;
- "Life Annuity Contract" means an arrangement made to purchase, through a person authorized under the laws of Canada or a province to sell annuities as defined in the *Income Tax Act* (Canada), a non-commutable pension, in accordance with Directive No. 6, that will not commence before that person attains the age of 55 years, or, if that person provides evidence to the satisfaction of the financial institution that the plan or any of the plans from which the money was transferred provided for payment of the pension at an earlier age, that earlier age;
- "Planholder" means the planholder, accountholder or annuitant under the declaration of trust and application form and includes the "owner" as that term is used in Directive No. 5;
- "Locked-In Assets" means all the assets in the Plan at any time and includes any interest or other earnings realized or accrued to that time; and
- "Principal Beneficiary" means the spouse of a Planholder or where the Planholder has a cohabiting partner, the Planholder's cohabiting partner as defined in the Act.

### 2. Transfers

Notwithstanding the last paragraph of Section 4 of the main LIF Agreement, a LIF may only be purchased by you with respect to an entitlement to a pension under a pension plan if:

- (a) you are a member or former member of the pension plan who has obtained the written consent of his or her spouse, if any; or
- (b) you are the spouse or former spouse of a member or former member and if you as a spouse or former spouse are entitled to a pension benefit as a result of the death of the member or former member, or as a result of marriage breakdown.

An administrator of a pension plan shall not effect a transfer to a financial institution unless the administrator has ascertained that the financial institution's name and LIF are currently on the list of approved contracts, and advised the financial institution in writing that, subject to the applicable pension legislation, no withdrawal, commutation or surrender of money is permitted.

### 3. Transfers Into the Plan

The only assets that may be transferred into the Plan are assets originating, directly or indirectly, from:

- (a) the pension fund of a registered pension plan that conforms with the Act and the Regulation;
- (b) a Locked-In Retirement Account that conforms with Directive No. 4;
- (c) another Life Income Fund that conforms with Directive No. 5; or
- (d) a Locked-In Retirement Income Fund that conforms with Directive No. 17.

Any transfer into the Plan must be on a tax-deferred basis under the *Income Tax Act* (Canada).

### 4. Transfers Out of the Plan

The Planholder may transfer any or all of the Locked-In Assets:

- (a) to another Life Income Fund that conforms with Directive No. 5;
- (b) to a Locked-in Retirement Income Fund that conforms with Directive No. 17;
- (c) in accordance with paragraph 60(l) of the *Income Tax Act* (Canada), to purchase an immediate life annuity that meets the requirements of the Superintendent); or
- (d) before the December 31st of the year in which the Planholder reaches 71 years of age, to a Locked-In Retirement Account that conforms with Directive No. 4.

In accordance with paragraphs 146.3(2)(e) and (e.2) of the *Income Tax Act* (Canada), the Plan Carrier will retain sufficient Locked-In Assets to satisfy the requirement to pay the minimum amount to the Planholder for the year.

The Plan Carrier agrees to make such a transfer within 30 days after the Planholder requests it. This does not apply with respect to the transfer of assets held as securities whose term of investment extends beyond the thirty day period.

## Addendum (continued)

### 5. Payments

Payment out of your Scotia Self-Directed LIF must not begin before the earlier of age 55 or the earliest date on which you could receive a pension benefit under the applicable pension legislation or the originating pension plan from which the money was transferred and no later than the last day of the second fiscal year.

Notwithstanding anything in section 8 of the main LIF Agreement to the contrary, you must decide the amount to be paid out of your LIF each year, either at the beginning of the fiscal year of the LIF or at another time agreed to by you and us and the decision expires at the end of the fiscal year to which it relates. If you do not decide the amount to be paid out of the LIF for a year, the minimum amount payable shall be deemed to be the amount paid.

In the first year of your LIF, the maximum income and maximum additional temporary income payment is adjusted in proportion to the number of months in that fiscal year, with any part of an incomplete month counting as one month. The part of the sentence in Section 7 of the main LIF Agreement starting with 'For the first 15 years of the LIF' is replaced by 'For the 15 years after the date of valuation'.

### 6. Calculating Payments

#### a) Amount of Annual Income.

The amount of income paid out of the Plan during a fiscal year must not be less than the minimum amount prescribed for registered retirement income funds under the *Income Tax Act* (Canada). The amount of income paid out of the Plan during a fiscal year must not exceed the "maximum", being the greater of (i) and (ii) as follows:

- (i) the amount calculated using the following formula

$$C/F$$

in which

C = the value of the assets in the LIF at the beginning of the fiscal year and

F = the present value, at the beginning of the fiscal year, of a pension of which the annuity payment is \$1 payable at the beginning of each fiscal year between that date and the 31st day of December of the year in which the Planholder reaches ninety years of age; and

- (ii) the amount of the investment earnings, including any unrealized capital gains or losses, of the LIF in the immediately previous fiscal year.

#### b) Value of F.

The value of F in paragraph 11 of this Addendum must be established at the beginning of each fiscal year of the LIF using an interest rate as follows:

- (i) for the first fifteen years after the date of the valuation, the greater of 6% per year and the percentage obtained on long-term bonds issued by the Government of Canada for the month of November preceding the date of the valuation, as compiled by Statistics Canada and published in the Bank of Canada Review under identification number V122487 in the CANSIM System; and

- (ii) for the sixteenth and each subsequent year, a rate of 6% per year.

### 7. Additional Temporary Income

Subject to paragraph 14 of this Addendum, the Planholder is entitled to receive additional temporary income. The application for additional temporary income shall be on a form prescribed by the Superintendent and, where the Planholder is a former member of a pension plan, accompanied by the written consent of the Principal Beneficiary of the former member. The application must be submitted to the Plan Carrier at the beginning of the fiscal year of the Plan, unless otherwise permitted by the Plan Carrier.

The Planholder may receive additional temporary income where:

- (a) the maximum amount of income the Planholder is entitled to receive for the calendar year in which the application is made, calculated as "B" under paragraph 14 of this Addendum, is less than 40% of the Year's Maximum Pensionable Earnings (YMPE) under the *Canada Pension Plan* for the calendar year in which the application is made; and
- (b) the Planholder has not reached his or her 65th birthday at the beginning of the fiscal year in which he or she makes application for additional temporary income.

### 8. Amount of Additional Temporary Income

The amount of the additional temporary income paid out of the Plan in a fiscal year must not exceed the "maximum" using the following formula:

$$A - B$$

in which

A = 40% of the YMPE for the calendar year in which an application is made

B = the maximum amount of income the Planholder is entitled to receive from all LIFs, Locked-in Retirement Income Funds, life annuity contracts and pension plans governed by the Act of Canada or another Province or Territory, except income from a pension under the *Canada Pension Plan*, for the calendar year in which the application is made.

### 9. Initial Year

For the initial year of the Plan, the "maximum" in paragraphs 10 and 11 of this Addendum shall be 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.

### 10. Maximum Where Assets Transferred from Another LIF or LRIF

If a part of the LIF corresponds to assets transferred directly or indirectly from another LIF or Locked-in Retirement Income Fund of the Planholder during the fiscal year, the "maximum" in paragraph 6 and 8 of this Addendum shall be deemed to be zero in respect of the part transferred in.

### 11. Maximum where Assets Transferred from Another Financial Institution.

Notwithstanding paragraph 10 of this Addendum, the financial institution may allow money to be paid to the Planholder provided that the total amount received by the Planholder from all financial institutions in respect of that part transferred in during the fiscal year does not exceed the "maximum" in paragraph 6 and 8 of this Addendum for that part. In this case, the financial institution must receive information, in writing, from the prior financial institution(s) which confirms the amount already paid in the fiscal year in respect of that part of the LIF.



## Addendum (continued)

### 12. Withdrawal Where Shortened Life Expectancy.

The Planholder may withdraw Locked-In Assets as a lump sum or series of payments if a medical practitioner certifies that due to mental or physical disability the life expectancy of the Planholder is likely to be shortened considerably, but where the Planholder is a former member of a pension plan such payment may only be made if the Principal Beneficiary of the former member has waived the joint and survivor pension entitlement in a form and manner acceptable to the Superintendent.

### 13. Withdrawal Where Small Amount.

The Planholder may withdraw all of the Locked-In Assets as a lump sum on application by the Planholder to the Plan Carrier for payment if, at the time the Planholder signs the application:

- (a) the Planholder has reached the earlier of age 55 or the earliest date on which the Planholder would have been entitled to receive a pension benefit under the plan from which assets were transferred,
- (b) the value of all assets in all LIFs, Locked-in Retirement Income Funds and Locked-in Retirement Accounts owned by him or her and governed by Newfoundland & Labrador pension benefits legislation is less than 40% of the YMPE for that calendar year, and
- (c) the Planholder has not, within the same fiscal year, elected to receive additional temporary income under paragraph 13 or, where a part of the LIF corresponds to amounts transferred directly or indirectly from another LIF or Locked-in Retirement Income Fund, elected to receive additional temporary income from that LIF or Locked-in Retirement Income Fund.

An application under this paragraph shall be on a form approved by the Superintendent and, where the Planholder is a former member of a pension plan, accompanied by a waiver of the joint and survivor pension entitlement by the Principal Beneficiary of the former member, in the form and manner required by the Superintendent.

### 14. Security

The Plan Holder agrees not to assign, charge, anticipate or give as security money payable under the Plan.

### 15. Estate Matters

On the death of the Planholder who is a former member who has a Principal Beneficiary, the surviving Principal Beneficiary, or where there is no surviving Principal Beneficiary or the surviving Principal Beneficiary has waived entitlement in the form and manner acceptable to the Superintendent, a designated beneficiary, or where there is no designated beneficiary, the estate of the member or former member is entitled to receive the full value of the contract as a lump sum.

Where the Planholder is not a former member, the full value of the contract shall be paid to the designated beneficiary or, where there is no designated beneficiary, to the Planholder's estate.

The Plan Carrier must receive satisfactory evidence of death, satisfactory evidence as to whether or not the Planholder had a spouse at the date of the Planholder's death, and any other documents as the Plan Carrier may require.

### 16. Information to be Provided

At the beginning of each fiscal year, the following information must be provided to the Planholder:

- (a) in relation to the previous fiscal year: the sums deposited, the amount of the investment earnings, including any unrealized capital gains or losses; the payments made out of the Plan and the expenses, costs, fees and charges against the Plan;

- (b) the value of the assets in the LIF;
- (c) the minimum amount that must be paid out of the LIF to the Planholder during the current fiscal year;
- (d) the maximum amount of income as per paragraph 6 of this Addendum that may be paid out of the LIF to the Planholder during the current fiscal year; and
- (e) if applicable, notification that the Planholder may be entitled to receive additional temporary income as per paragraph 8 of this Addendum during the current fiscal year.

If the balance of the LIF is transferred as described in paragraph 4 of this Addendum, the information described in clauses (a) to (e) must be provided to the Planholder determined as of the date of transfer. If the Planholder dies, the information described in clauses (a) to (e) must be provided to the person entitled to receive the balance of the LIF determined as of the date of the Planholder's death.

### 17. Plan Carrier's Responsibility

If the money is paid out of the Plan contrary to the Act or the Directive, the plan carrier will pay to the Planholder the pension benefit equal in value to the pension benefit that would have been provided had the money not been paid out, unless the payment is attributable to a false declaration by the Planholder.

### 18. Amendment

No amendment shall be made to the Plan or this Addendum unless the Plan and this Addendum as amended remain in conformity with the Act, the Regulations and Directive No. 5 and with section 146.3 of the *Income Tax Act* (Canada).

An amendment that would result in a reduction of the Planholder's benefits under the Plan with this Addendum is permitted only where

- (a) the Plan Carrier is required by law to make the amendment; and
- (b) the Planholder is entitled to transfer the balance in the LIF under the terms of the Plan with this Addendum that existed before the amendment is made.

The Plan Carrier will give the Planholder at least 90 days' notice of any proposed amendment; and where the amendment would result in a reduction of the Planholder's benefits, the Plan Carrier must allow the Planholder at least 90 days after notice of the nature of the amendment is given to transfer all or part of the Locked-In Assets. Notice of amendment must be sent by registered mail to the Planholder's address as set out in the records of the Plan Carrier.

### 19. Investment and Value of Locked-In Assets

The Locked-In Assets shall be invested and re-invested on the direction of the Planholder as provided in the declaration of trust. For the purpose of transfer of assets, purchase of an annuity or payment upon the Planholder's death, the value of the locked-in assets shall be the aggregate market value of the assets held in the Plan, valued in accordance with the Agent's regular practice as of market closing immediately prior to such transfer or payment.

### 20. Fiscal Year of Plan

The fiscal year of the Plan ends on December 31 of each year and must not exceed 12 months.