

## ADDENDUM TO THE RETIREMENT INCOME FUND DECLARATION OF TRUST ESTABLISHING A LIFE INCOME FUND

### Newfoundland & Labrador (LIF)

**1. What the Words Mean:** Please remember that in this Addendum, "I", "me" and "my" mean the individual who has signed the Application as the applicant for and fund owner of the Fund and who is the "annuitant" as defined in the *Income Tax Act* (Canada) and "Trustee" means the trustee for the Fund, The Royal Trust Company, 155 Wellington Street W., 20th Floor, Toronto, ON, M5V 3K7.

Please also remember that in this Addendum:

"Cohabiting Partner", means:

- i) if I have a Spouse, the individual who is not my Spouse who has cohabited continuously with me in a conjugal relationship for not less than 3 years, or
- ii) if I do not have a Spouse, the individual who has cohabited continuously with me in a conjugal relationship for not less than one year,

and is cohabiting or has cohabited with me within the preceding year;

"Declaration of Trust" means the Retirement Income Fund Declaration of Trust I have entered into with the Trustee;

"Directives" means the directives issued by the Superintendent under the Pension Act, as changed or replaced from time to time;

"Pension Act" means the *Pension Benefits Act, 1997* of Newfoundland & Labrador, as changed or replaced from time to time;

"Principal Beneficiary" means my Spouse, or where I have a Cohabiting Partner, my Cohabiting Partner;

"Property" means, collectively, all investment property (including all income earned on and all proceeds of that property) held under the Fund from time to time;

"Regulation" means the *Pension Benefits Act Regulation* in force under the Pension Act, as changed or replaced from time to time; and

"Spouse" means the individual who is considered to be my spouse according to section 2 of the Pension Act, however, notwithstanding anything to the contrary contained in the Declaration of Trust and this Addendum, including any endorsements forming a part thereof, "spouse" does not include any person who is not recognized as my spouse or common-law partner, as the case may be, for the purposes of any provision of the *Income Tax Act* (Canada) respecting RRIFs.

As well, the words "financial institution", "fiscal year", "life annuity contract", "life income fund ("LIF")", "list", "locked-in retirement account ("LIRA")", "locked-in retirement income fund ("LRIF")", "owner", "pension benefit", "RRIF" and "Superintendent" have the same meanings given to them in the Pension Act, the Regulation and the Directives.

The other words used in this Addendum have the same meaning given to them in the Declaration of Trust. I will refer to the Declaration of Trust if I need to when reading those words.

I agree with the Trustee as follows:

**2. General Terms:** This Addendum will form part of the Declaration of Trust and will apply to the Fund and all Property. If there is a conflict between this Addendum and the Declaration of Trust, this Addendum will prevail.

**3. LIF:** The Trustee will maintain the Fund as a LIF according to the requirements of the Pension Act, the Regulation, the Directives and the *Income Tax Act* (Canada).

**4. Investment Powers:** The powers I have respecting the investment of the Property in the Fund are set out in the Declaration of Trust.

**5. No Assignment:** I agree not to assign, charge, alienate, anticipate or give as security money payable under the Fund.

**6. Valuation:** The method for determining the value of the Fund, for the purposes of establishing the Fund's value upon my death, upon the establishment of a life annuity or upon a transfer of Property from the Fund, is set out in the Declaration of Trust.

**7. Fiscal Year:** The fiscal year of the Fund ends on December 31 of each year and will not exceed 12 months.

**8. Income Entitlement:** I will be paid an income, the amount of which may vary annually, and that must not begin before the earlier of age 55 or the earliest date on which the member could receive a pension benefit under the Pension Act or the originating registered pension plan from which the Property in the Fund was transferred and not later than the last day of the second fiscal year of the Fund.

**9. Establishment of Income:** I must decide the amount of income to be paid out of the Fund each year, either at the beginning of the fiscal year of the Fund or at another time agreed to by the Trustee and the decision expires at the end of the fiscal year to which it relates.

**10. Failure to Establish:** If I do not decide the amount to be paid out of the Fund for a year, the minimum amount determined under paragraph 17 of this Addendum shall be deemed to be the amount paid.

**11. Amount of Income:** The amount of income paid out of the Fund during a fiscal year must not exceed the "maximum", being the greater of (a) and (b) as follows:

(a) the amount calculated using the following formula

$$C/F$$

in which

C = the value of the Property in the LIF at the beginning of the fiscal year.

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 December 31st day of the year in which the owner reaches ninety years of age; and

(b) the amount of the sums deposited, investment earnings, including any unrealized capital gains or losses, payments made out of the LIF; and fees charged in the LIF in the immediately previous fiscal year.

**12. Calculation of Pension:** The value "F" in paragraph 11 of this Addendum is calculated as follows:

(a) for the first 15 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

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

**13. Additional Temporary Income:** Subject to paragraph 14 of this Addendum, I am entitled to receive additional temporary income where:

(a) the total pension income received by me 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 under the *Canada Pension Plan* (Canada) for the calendar year in which the application is made; and

(b) I have not reached my 65th birthday at the beginning of the fiscal year in which I make application for additional temporary income.

**14. Maximum Temporary Income:** The amount of the additional temporary income paid out of the Fund in a fiscal year must not exceed the "maximum" in the following formula:

$$\text{Maximum Temporary Income} = A - B$$

where

A = 40% of the year's maximum pensionable earnings under the *Canada Pension Plan* (Canada) for the calendar year in which the application is made; and

B = the total pension income received by me for the calendar year in which the application is made from all LIFs, LRIFs, life annuities and registered pension plans governed by Newfoundland and Labrador pension benefits legislation or established by or governed by an Act of Canada or a province, except income from a pension under the *Canada Pension Plan* (Canada).

**15. Payments out of the LIF:** If money is paid out contrary to the Act or Directives, the financial institution will provide or ensure the provision of a pension benefit equal in value to the pension benefit that would have been provided had the money not been paid out.

**16. Applications:** An application for additional temporary income under paragraph 13 of this Addendum shall be:

- (a) on a form approved by the Superintendent;
- (b) where I am a former member of a registered pension plan, accompanied by the written consent of my Principal Beneficiary; and
- (c) submitted to the Trustee at the beginning of the fiscal year of the Fund, unless otherwise permitted by the Trustee.

**17. Minimum Income:** The amount of income paid out of the Fund during a fiscal year must not be less than the minimum amount prescribed for RRIFs under the *Income Tax Act* (Canada), and where the maximum amount is less than the minimum amount required by the *Income Tax Act* (Canada), the minimum amount will prevail.

**18. First Fiscal Year:** For the initial fiscal year of the Fund, the limit "M" and the "Maximum Temporary Income" in paragraphs 11 and 14 of this Addendum, respectively, will 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.

**19. Transfers from Other LIFs or LRIFs:** If part of the Fund purchased at the beginning of a fiscal year corresponds to sums transferred directly or indirectly during the same year from another LIF or LRIF of mine, the "maximum" in paragraphs 11 and 14 of this Addendum, respectively, will be equal to zero, except to the extent that the *Income Tax Act* (Canada) requires the payment of a higher amount.

**20. Shortened Life Expectancy:** I may withdraw Property from the Fund as a lump sum or series of payments if a medical practitioner certifies that due to mental or physical disability my life expectancy is likely to be shortened considerably, but where I am a former member of a registered pension plan, such payment may only be made if my Principal Beneficiary has waived the joint and survivor pension entitlement in a form and manner provided by the Superintendent.

**21. Small Pensions:** I am entitled to withdraw a lump sum payment equal to the value of the Property in the Fund on application to the Trustee if, at the time I sign the application:

- (a) I have reached the earlier of age 55 or the earliest date on which I would have been entitled to receive a pension benefit under the registered pension plan from which the Property in the Fund was transferred; and
- (b) the value of all assets in all LIFs, LRIFs and LIRAs owned by me and governed by Newfoundland and Labrador pension benefits legislation is less than 40% of the year's maximum pensionable earnings under the *Canada Pension Plan* (Canada) for that calendar year.
- (c) I have not, within the same fiscal year, elected to receive additional temporary income under subsection 14 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.

**22. Applications:** An application under paragraph 21 of this Addendum shall be:

- (a) on a form approved by the Superintendent; and
- (b) where I am a former member of a registered pension plan, accompanied by a waiver by my Principal Beneficiary of joint and survivor pension entitlement, in the form and manner required by the Superintendent.

**23. Transfers from the Fund:** I may transfer all or part of the balance of the Property in the Fund:

- (a) to another LIF that meets the requirements of Directive No. 5;
- (b) to an LRIF that meets the requirements of Directive No. 17;

- (c) for the purchase of an immediate life annuity contract that meets the requirements of the Superintendent, in accordance with paragraph 60(l) of the *Income Tax Act* (Canada), provided the annuity commences by December 31 in the year in which I attain the maximum age for the commencement of a retirement income as may be prescribed by the *Income Tax Act* (Canada), the Pension Act, the Regulation or the Directives from time to time; or
- (d) before December 31 in the year in which I attain the maximum age for the commencement of a retirement income as may be prescribed by the *Income Tax Act* (Canada), the Pension Act, the Regulation or the Directives from time to time, to a LIRA that meets the requirements of Directive No. 4.

**24. No Withdrawals:** Subject to this Addendum, no withdrawal, commutation or surrender of Property in the Fund is permitted, except where an amount is required to be paid to the taxpayer to reduce the amount of tax otherwise payable under Part X.I of the *Income Tax Act* (Canada).

**25. Time for Transfer:** The Trustee agrees to make the transfer referred to in paragraph 23 of this Addendum within 30 days after receipt of the request, except with respect to the transfer of Property held as securities whose term of investment extends beyond the 30 day period.

**26. Identifiable Securities:** If the Property in the Fund consists of identifiable and transferable securities, the Trustee may, with my consent, effect a transfer under this Addendum by the transfer of the securities.

**27. Survivor's Benefits if Former Member:** Where I am a former member, upon my death, my surviving Principal Beneficiary, or where I have no surviving Principal Beneficiary or my surviving Principal Beneficiary had waived entitlement in the form and manner required by the Superintendent, my designated beneficiary, or where there is no designated beneficiary, my estate, is entitled to receive a lump sum payment of the full value of the Fund.

**28. Survivor's Benefits if Not Former Member:** Where I am not a former member, upon my death, the full value of the Fund shall be paid to my designated beneficiary or, where there is no designated beneficiary, to my estate.

**29. Notice of Amendments:** Subject to paragraph 31 of this Addendum, the Trustee will not amend the Fund except where the Trustee gives me at least 90 days' notice of a proposed amendment.

**30. Permitted Amendments:** An amendment to the Fund that would result in the reduction of my benefits under the Fund is only permitted where:

- (a) the Trustee is required by law to make the amendment; and
- (b) I am entitled to transfer the balance in the Fund under the terms of the Fund that existed before the amendment is made;

and, when making such a reducing amendment, the Trustee must notify me of the nature of the amendment and allow me at least 90 days after the notice is given to transfer all or part of the balance in the Fund.

**31. Procedure for Notices:** Notices under paragraphs 30 and 31 of this Addendum shall be sent by registered mail to my address, as set out in the Trustee's records.

**32. Information Statements:** The Trustee agrees to provide the information specified in paragraphs 22, 23 and 24 of Directive No. 5 as, when and to those persons described therein.

**33. Satisfaction of Minimum Amount:** Prior to transferring Property from the Fund under any provision of this Addendum, the Trustee shall withhold an adequate amount to satisfy the minimum amount payable to me in the particular fiscal year, as required, and in accordance with paragraph 146.3(2)(e) of the *Income Tax Act* (Canada).

May 2018

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