

**SUPPLEMENTARY AGREEMENT TO THE DECLARATION OF TRUST ESTABLISHING A LIFE INCOME FUND
UNDER THE NATCAN TRUST COMPANY RETIREMENT INCOME FUND**

RECITALS:

- A. The Annuitant is entitled, pursuant to the Act and the Regulation, to transfer to the Fund amounts derived, directly or indirectly, from a retirement plan governed by the provisions of the Act, or any other source acceptable under the Act and the Regulation (the “**Transfer**”);
- B. The Annuitant has established a retirement income fund with the Trustee Natcan Trust Company through the Agent National Bank of Canada (the “**Retirement Income Fund**”) and wishes same to receive the Transfer;
- C. The parties now wish to supplement the Declaration of Trust with the provisions of this Agreement in order to comply with the requisite locking-in conditions. In the event of any conflict between the provisions of the Declaration of Trust and this Agreement, the provisions of this Agreement shall prevail.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **Definitions:** All terms not defined in this Agreement shall have the same meaning as in the Declaration of Trust, the Act or the Regulation. In addition, the following terms shall have the meaning indicated below:
 - a) “**Act**” means the *Supplemental Pension Plans Act* (Québec), as amended from time to time;
 - b) “**Declaration of Trust**” means the declaration of trust governing the Retirement Income Fund;
 - c) “**Fiscal Year**”, in connection with the Fund, means a calendar year terminating on December 31, and will not exceed twelve months;
 - d) “**Fund**” refers to the Retirement Income Fund established by the Declaration of Trust, as supplemented and modified by this Agreement establishing a LIF that will hold the locked-in amounts and assets subject to the Transfer;
 - e) “**LIF**” refers to a life income fund that is a RIF that meets the requirements set out in sections 18 and following of the Regulation;
 - f) “**LIRA**” refers to a locked-in retirement account that is a registered retirement savings plan within the meaning of the Tax Act that meets the requirements set out in section 29 of the Regulation;
 - g) “**Reference Rate**” refers to the higher of the following rates:
 - i. The month-end, nominal rate of interest 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) 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;
 - (3) the rounding of the effective interest rate to the nearest multiple of 0.5%.
 - ii. A rate of 6%;
 - h) “**Regulation**” means the *Regulation respecting supplemental pension plans* adopted under the Act, as amended from time to time;
 - i) “**RIF**” means a retirement income fund within the meaning of the Tax Act that is registered under that Act;
 - j) “**Spouse**” shall have the meaning assigned to such term 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 any provision of the Tax Act respecting a RIF;
 - k) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations adopted thereunder;
 - l) “**Transfer**” means the transfer referred to in paragraph A of the Recitals hereto.
2. **Purpose of the Fund:** Subject to the Act and the Regulation, all money and other assets that are the subject of the Transfer, including all investment earnings thereon and gains and interest realized thereof, but excluding all fees, charges, expenses and taxes charged to this Fund, shall be used to provide the Annuitant with an income, the amount of which may vary annually.
3. **Contributions:** The only money that may be transferred to the Fund is money coming directly or initially from:
 - a) a pension plan subject to the Act;
 - b) a supplemental pension plan governed by an act of a legislative authority other than the Parliament of Québec and that grants the right to a deferred pension;
 - c) a supplemental pension plan established by an act of the Parliament of Québec or another legislative authority;
 - d) the locked-in account of a voluntary retirement savings plan subject to the *Voluntary Retirement Savings Plans Act*;
 - e) the locked-in account of an equivalent voluntary retirement savings plan from a legislative authority other than the Parliament of Québec, provided the member joins that plan as part of his employment;
 - f) a LIRA;
 - g) another LIF; or
 - h) an annuity contract referred to in section 30 of the Regulation.

Money that is the subject of the Transfer to the Fund is deemed to come entirely from another LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from the locked-in account of a voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* that offers variable payments to the Annuitant, unless he sends a declaration to the Trustee that is compliant with Schedule 0.9 or 0.9.1, as applicable.
4. **Payments:** Except as permitted by the law, payments to the Annuitant hereunder shall be determined under the terms of the Declaration of Trust and shall comply with the following conditions:
 - a) **Annual Payments:** The amount of income paid to the Annuitant during a Fiscal Year is, subject to the maximum indicated in Subsection 4 c) and the minimum indicated in Subsection 4 b) hereafter, set by the Annuitant each year by a notice to that effect to the Trustee no later than January 1 of the Fiscal Year. Such notice expires on December 31 of the applicable Fiscal Year. If the Annuitant does not thereby notify the Trustee, he or she will be deemed to have decided to receive the minimum amount, and the Trustee will thereby pay such minimum amount out of the Fund in the Fiscal Year in question. It is understood that the Financial Institution shall not accept an interval longer than one year.
 - b) **Minimum Payment:** The amount of income paid out of the Fund during a Fiscal Year must not be less than the minimum amount under the Income Tax Act, according to the Annuitant’s age or the age of the Annuitant’s Spouse if he or she is younger than the Annuitant.
 - c) **Maximum Payment:** The amount of income paid out during a Fiscal Year of the Fund must not exceed the amount “**M**” in the following formula:

$$A + E = M$$
 where
 “**A**” represents the maximum temporary income for the Fiscal Year determined according to Subsection 5 b) or 6 c) herein or, if no amount has been determined, zero;
 “**E**” represents the maximum life income established according to Subsection 4 d) hereafter.
 - d) **Maximum life income:** The maximum amount of life income for a Fiscal Year of the Fund is equal to amount “**E**” in the following formula (which cannot be less than zero):

$$F \times C - \frac{A}{D} = E$$
 where
 “**F**” is the factor provided for in Schedule 0.6 of the Regulation with respect to the reference rate for the year covered by the Fiscal Year and the Annuitant’s age at the end of the preceding year;
 “**C**” is the balance of the Fund at the beginning of the Fiscal Year, increased by any sums transferred to the Fund after that date and reduced by any sums originating directly or not during the same year from a LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and offering variable payments;
 “**A**” is the maximum temporary income for the Fiscal Year determined according to Subsection 5 b) or 6 c) herein or, if no amount has been determined, zero;
 “**D**” is the factor provided for in Schedule 0.7 of the Regulation with respect to the Annuitant’s age at the end of the year preceding the one covered by the Fiscal Year.
5. **Payment of temporary income (persons aged 54 to 64):**

a) **Eligibility:** The Annuitant is eligible to receive a temporary income in the amount he determines if he meets the following conditions:

- i. He shall submit an application to the Trustee to that effect, accompanied with a declaration that is compliant with Schedule 0.4 of the Regulation;
- ii. He is at least 54 years of age but under 65 at the end of the year preceding the one referred to in 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 referred to in Subsection 4 d) herein, determined by assuming that the Annuitant is not entitled to payment of a temporary retirement income. In addition, the temporary income may not be paid after the end of the year in which the Annuitant reaches 65 years of age.

b) **Reference temporary income:** When the Annuitant who requests the temporary income payment is at least 54 years of age but less than 65 at the end of the year preceding the one covered by a Fiscal Year of the Fund, the Trustee must establish a reference temporary income that is equal to the lesser of the following amounts:

- i. 40% of the Maximum Pensionable Earnings, determined for the year covered by the Fiscal Year, pursuant to the *Act respecting the Québec Pension Plan*;
- ii. the amount "R" in the following formula:

$$F \times C \times D = R$$

where

"F" is the factor provided for in Schedule 0.6 of the Regulation with respect to the reference rate for the year covered by the Fiscal Year and the Annuitant's age at the end of the preceding year;

"C" is 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 of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and offering variable payments;

"D" is the factor provided for in Schedule 0.7 of the Regulation with respect to the Annuitant's age at the end of the year preceding the one covered by the Fiscal Year.

c) **Maximum temporary income:** The Annuitant who is eligible for payment of the temporary income referred to in Subsection 5 a) herein can set, for each Fiscal Year of the Fund, a maximum temporary income that does not exceed the lesser of the following amounts:

- i. the reference temporary income established according to Subsection 5 b) herein;
- ii. the amount "X" in the following formula:

$$G - T = X$$

where

"G" is equal to 40% of the Maximum Pensionable Earnings determined, for the year covered by the Fiscal Year, pursuant to the *Act respecting the Québec Pension Plan*;

"T" is the sum of the following amounts:

- (1) the total temporary income that the Annuitant 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;
- (2) the total of the amounts that the Annuitant has determined or that he must determine for his other life income funds, in the form of a maximum temporary income for the current Fiscal Year.
- (3) the total of the amounts that the Annuitant has determined or that he must determine for the locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* for the maximum temporary variable payments for the current Fiscal Year.

However, in the event that the reference temporary income determined in accordance with subsection 5 b) herein is less than the amount "X" above, where the Annuitant provides to the Trustee a declaration in conformity with that prescribed in Schedule 0.8 of the Regulation, the Annuitant may determine, as the maximum temporary income, an amount that does not exceed the lesser of the following amounts:

- i. the amount "X" above;
- ii. the balance of the Fund at the beginning of the Fiscal Year, increased by any sums transferred to the Fund and any income earned by the Fund after that date and reduced by any sums originating directly or not during the same year from a LIF of the Annuitant, from a supplemental pension plan that offers the variable benefits referred to in Division

II.3 of the Regulation or from a locked-in account of his voluntary retirement savings plan governed by the *Voluntary Retirement Savings Plans Act* and that offering variable payments.

The Annuitant 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, he must submit to the Trustee declarations that are in conformity with those in Schedules 0.4 and 0.8 of the Regulation.

6. **Payment of temporary income (persons younger than 54 years of age):**

a) **Eligibility:** The Annuitant may, during a Fiscal Year of the Fund, receive upon request to the Trustee, all or part of the Fund balance in the form of a temporary income payable in monthly payments, none of which may exceed 1/12 of the difference between the following amounts:

- (1) 40% of the Maximum Pensionable Earnings determined, for the year in which the payment is made, pursuant to the *Act respecting the Québec Pension Plan*;
- (2) 75% of the Annuitant's income for the 12 months that follow, excluding the income provided for in this subsection,

and provided that it meets the following conditions:

- i. the Annuitant's income for the 12 months that follow, excluding the income provided for in Section 6, does not exceed the amount referred to in point (1) above;
- ii. the Annuitant submits to the Trustee an application to that effect, accompanied with a declaration that is compliant with Schedule 0.5 of the Regulation and a written undertaking to request a suspension of payments when his income, excluding the income indicated in this Section 6, reaches the amount referred to in point (1) above;
- iii. the Annuitant was less than 54 years of age at the end of the year preceding his request.

The income indicated in this section 6 cannot be paid to the Annuitant if he has requested a suspension of payments or after the end of the year in which he reaches 54 years of age.

The Annuitant who is eligible to receive the income referred to in Section 6 and who is a member or 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 Fund of an amount equal to the lesser of the following amounts:

- (1) the additional amount required for the balance of the Fund to allow, until the end of the year, the payment of the monthly payments provided for in the first paragraph of Section 6;
- (2) the value of his benefits under the pension plan.

If an amount is so transferred from a pension plan to the Fund, sections 15.1 to 15.3 of the Regulation apply, with the necessary modifications, with respect to the allocation of benefits and the determination of the residual benefits of the member or spouse in the pension plan.

b) **Maximum temporary income:** The Trustee determines the maximum temporary income for the Fiscal Year of the Fund (which cannot be less than zero) upon receipt of an application in accordance with Subsection 6 a) herein. This income is equal to the product of multiplying the maximum monthly payment set in accordance with the first paragraph of Subsection 6 a) by the number of months remaining in the year as of the first day of the month of the application or, where the Annuitant is entitled, for that month, to a temporary income by reason of a prior application, as of the first day of the following month. Where necessary, this product is increased by any income provided for under Subsection 6 a) and paid to the Annuitant during the year but prior to payment of the income payable as a consequence of the application and reduced by any income paid to the Annuitant, during the same period, from another LIF or from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation.

7. **Death of the Annuitant:** If the Annuitant who is a member or former member dies before the entire Fund balance is converted to a life annuity, the spouse or, if there is no spouse, his successors are entitled to benefits in an amount equal to this balance.

8. **Spouse's waiver:** The spouse of an Annuitant who is a member or former member may, by giving notice in writing to the Trustee, waive his or her entitlement to receive the pension benefits described in Section 7 hereof or the life annuity provided for in Subsection 18 b) herein and may, in the case of pension benefits, revoke such a waiver by submitting a written notice to the Trustee prior to the Annuitant's death and, in the case of a life annuity, prior to the date of conversion of all or part of the Fund balance into the annuity.

9. **Separation and divorce:** The spouse of an Annuitant who is a member or former member is no longer eligible to receive the benefits described in Subsection 18 b) herein following separation from bed and board, divorce, marriage annulment, dissolution or annulment of civil union, or dissolution of a conjugal relationship if the spouses are not joined by marriage or civil union, unless the Annuitant submits the notice described in section 89 of the Act to the Trustee.

10. Seizure for unpaid alimony: The seizeable portion of the balance of the Fund may be paid in a lump sum in execution of a judgment rendered in favour of the Annuitant's spouse that gives entitlement to a seizure for unpaid alimony.

11. Authorized withdrawals: A withdrawal, conversion or surrender of all or part of the money held in the Fund is not permitted and will be void, except in the following circumstances:

- a) **Withdrawal of small amount at 65:** The total balance of the Fund may be paid in a lump sum to the Annuitant upon an application to the Trustee accompanied by a declaration in conformity with Schedule 0.2 of the Regulation in the following conditions:
 - i. the Annuitant was at least 65 at the end of the year preceding the application;
 - ii. the total amount accumulated in the account from the retirement savings instruments indicated in Schedule 0.2 of the Regulation does not exceed 40% of the Maximum Pensionable Earnings established in accordance with the *Act respecting the Québec Pension Plan* for the year during which the Annuitant applies for the payment.
- b) **Non-resident withdrawal:** Subject to the term of the investments held in the Fund, if the Annuitant has not resided in Canada for at least two years, he may withdraw the full amount in the Fund by submitting an application to the Trustee in accordance with the Regulation.

The Trustee can rely on the information provided by the Annuitant in an application submitted according to this Section 11 and this application constitutes sufficient authorization to pay out the amount withdrawn from the Fund to the Annuitant, in accordance with this application.

The remittance must comply with the applicable laws and be made within a reasonable timeframe once all forms have been completed for the purpose of such withdrawal and have been submitted to the Trustee.

The Trustee is not liable for any loss to the Annuitant resulting from a withdrawal under this Section 11.

12. Authorized Transfers: Subject to the term of the investments held in the Fund, the Annuitant may transfer all or a portion of the money in the Fund to:

- a) a pension plan governed by the Act;
- b) a supplemental pension plan governed by an act of a legislative authority other than the Parliament of Québec and that grants the right to a deferred pension;
- c) a supplemental pension plan established by an act of the Parliament of Québec or another legislative authority;
- d) the locked-in account of a voluntary retirement savings plan subject to the *Voluntary Retirement Savings Plans Act*;
- e) the locked-in account of an equivalent voluntary retirement savings plan from a legislative authority other than the Parliament of Québec if the member is enrolled in this plan through his employment;
- f) another LIF;
- g) a LIRA; or
- h) an annuity agreement as mentioned in section 30 of the Regulation.

The Trustee may deduct from the property being transferred all amounts to be retained in application of paragraphs 146.3(2)(e) and (e.2) of the Tax Act, as well as any fees and disbursement to which the Trustee is entitled.

The Annuitant may at any time, in a form deemed satisfactory by the Trustee, make a request to the Trustee for such a transfer.

Such transfer shall be made within a reasonable timeframe once confirmed by the beneficiary of the Transfer.

If only a portion of the assets held in the Fund is transferred, the Annuitant can specify in the notice which assets he would like to transfer or dispose of in order to carry out such a transfer. Failing this, the Trustee shall transfer or dispose of such assets as it, in its sole discretion, may deem appropriate. The Trustee shall not be liable for any losses incurred as a result of such disposition or such Transfer.

Notwithstanding the above, the Trustee shall never be obliged to refund in advance the investments held under the Fund for purposes of a transfer and may, at its entire discretion, delay the requested transfer accordingly.

The Trustee has no liability or duty with respect to the withdrawn assets and shall not be liable for any losses incurred as a result of the disposition or transfer.

13. Investments: The money and assets held in this Fund shall be invested by the Trustee in the manner provided in the Declaration of Trust. All investments of money or assets held in this Fund must comply with the rules for the investment of RIF money contained in the Tax Act.

14. Value of the Fund: The fair market value of the assets held in the Fund as determined by the Trustee in good faith shall be used to calculate the balance of the money and assets held under this Fund at all times, including at the time of the Annuitant's death or a transfer of assets. Any such determination by the Financial Institution shall be conclusive for all purposes hereof.

15. Irregular payments: If the income paid to the Annuitant during a Fiscal Year of the Fund exceeds the maximum amount he can receive in accordance with the Regulation or this Agreement, the Annuitant may, unless this payment is related to a false declaration on his part, require that the Trustee pay him or her, as a penalty, an amount equal to the excess income paid.

16. Amendments to this Agreement: The Trustee shall make no amendment to this Agreement that would reduce the rights hereunder, unless it grants the Annuitant, before the amendment date, the right to transfer the Fund balance and gives the Annuitant, at least 90 days before the date on which he can exercise this right, notice indicating the nature of the amendment as well as the date on which the Annuitant may exercise such right.

The Trustee cannot, except to meet the requirements of the Act, make amendments other than those indicated in this section without providing prior notice to the Annuitant.

The Trustee may amend the Agreement only if it remains compliant with the amended standard agreement registered with *Retraite Québec*.

17. Identifiable securities: Where such investments held in the Fund consist of identifiable and transferable securities, the Trustee may carry out the transfer according to sections 12 and 16 by the remittance of these securities.

18. Conversion of Fund balance: The conversion of all or a portion of the balance of the Fund to a life annuity can only be carried out according to the following conditions:

- a) the insurer guarantees that this annuity will be paid in equal periodic amounts that may not vary unless each of them is uniformly increased according to an index or a rate provided for in the annuity contract or uniformly adjusted by reason of a seizure effected on the Annuitant's benefits, the redetermination of the Annuitant's pension, the partition of the Annuitant's benefits with his spouse, the payment of a temporary pension under the requirements provided for in section 91.1 of the Act or the election provided for in subsection 3 of the first paragraph in section 93 of the Act;
- b) in the event of the death of the Annuitant who was a member or former member, the insurer guarantees his spouse, who has not renounced to the pension, a life annuity at least equal to 60% of the Annuitant's pension amount, including, during the replacement period, the amount of any temporary pension;
- c) The term of the investments comprising the Fund has expired.

19. Statements: The Trustee shall provide the Annuitant, his spouse or his successors, as the case may be, with the statements described in sections 24 to 26 of the Regulation, at periods designated therein.

20. Representations and warranties of the Annuitant: The Annuitant represents and warrants to the Trustee the following:

- a) that the law applicable to the Transfer is the Act and the Regulation;
- b) that the amounts transferred herein are locked-in amounts resulting directly or indirectly from the commuted value of the Annuitant's pension entitlements and the Annuitant is entitled to effect a transfer of his or her pension entitlements pursuant to the Act and the Regulation;
- c) that the provisions of the pension plan do not prohibit the Annuitant from entering into this Agreement and, in the event that such prohibition does exist, the Trustee shall not be liable for the consequences to the Annuitant of executing this Agreement nor for anything done by the Trustee in accordance with the provisions hereof.

21. Governing law: This Agreement shall be governed by the laws applicable in the Province of Québec.

22. Effective Date: This Agreement takes effect on the date of transfer of assets into the Fund.

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