

Life Income Fund (Alberta LIF) Addendum

IMPORTANT NOTES: This addendum forms an integral part of the LIF to which it is attached. The provisions of this addendum prevail over other provisions of the LIF in the event of any conflict or inconsistency. The LIF (including this addendum) is also subject to section 40 of the Regulation and all other provisions of the Act and the Regulation (excluding this addendum) that apply to LIFs and in the event of any conflict or inconsistency, that other legislation prevails. This addendum is only a general and abbreviated description of the legal rights and obligations relating to the LIF vehicle and as such may not necessarily reflect fully or accurately the rights and obligations in the legislation. It should be noted that there are transitional arrangements in place covering mainly the period between August 2006 and the end of 2007, that are not necessarily reflected in this addendum, and that also affect relationships with LRIFs.

I, _____ (in this addendum referred to as “the
(insert name of LIF owner)

owner”) certify that I am:

- the original owner*
- a surviving pension partner owner
- a non-member-pension partner owner as defined in paragraph 1 of this addendum.

[Please check the box that applies to you.]

With respect to Alberta locked-in money to which the LIF of which this addendum forms part applies, I, the owner, and we _____ B2B Trust

(insert name of acknowledged financial institution underwriter or depository of the LIF)

(in this addendum referred to as “the LIF issuer”), having signed the LIF agreement to which this addendum is attached, agree that the provisions set out in this addendum constitute fundamental terms of the contract between us and agree to comply with those provisions, subject to the above-mentioned legislation.

*As the original owner (if applicable) I have identified in that agreement any pension partner, as defined in paragraph (1)(1)(n) below, that I have at the time when this LIF is issued.

Part 1
General Provisions

Interpretation and requisites for LIF

1(1) The following terms, used in this addendum, have the meanings respectively given them as indicated below, except where the context otherwise requires:

- (a) “the Act” means the *Employment Pension Plans Act* of Alberta, “the Regulation” means the *Employment Pension Plans Regulation* (Alberta Regulation 35/2000) under that Act, and “EPPA/R” means either or both, as applicable, all as amended to the time as of which the legislation is being interpreted;
 - (b) “acknowledged” means, in relation to a financial institution, currently acknowledged under section 38 of the Regulation in relation to LIFs or LIRAs, as applicable;
 - (c) “Alberta locked-in money” means money in a pension plan, LIRA or LIF
 - (i) that
 - (A) originally belonged to a member who terminated membership in Alberta,
 - (B) belongs to a surviving pension partner of
 - (I) a member who died while employed in Alberta,
 - (II) a former member who terminated membership while employed in Alberta, or
 - (III) the original owner of a LIRA,
 - or
 - (C) belongs to a non-member-pension partner owing to the application of Parts 4 of the legislation and originally belonged to a member who was employed in Alberta at the end of the period of joint accrual referred to in section 57(a),
 - and
 - (ii) with respect to which the locking-in requirements of the legislation are still required to be met;
- (d) “annuity” means a non-commutable life annuity contract issued or to be issued by an insurance business licensed to do business in Canada that meets the conditions in paragraph 60(l) of the federal *Income Tax Act* and will not commence before the annuitant reaches 50;

- (e) “DC RIA” (an acronym for defined contribution retirement income account) means an account created under defined contribution provisions of a pension plan that covers the benefits referred to in section 46(8) of the Act and that exists to provide retirement income under section 46.1 of the Regulation;
- (f) “DC RIA benefits” means the benefits referred to in clause (e);
- (g) “financial institution” means the issuer of a LIF (including this one) or a LIRA, as the case may be and, where the context relates to an annuity, includes an insurance business referred to in clause (d);
- (h) “Form”, followed by a number, means the form in Schedule 1 to the Regulation corresponding to that number;
- (i) “non-member-pension partner owner” means a pension partner who owns this LIF as a result of the application of the marriage breakdown/matrimonial property order/agreement rules in EPPA/R;
- (j) “Option”,
 - (i) followed by the numeral “1”, means the option in Part 1 of [Form 6](#) agreeing to the unlocking of up to 50% of commuted value or the value of the vehicle account in question,
 - (ii) followed by the numeral “2”, means the option in Part 1 of [Form 6](#) giving up the right to receive the minimum 60% survivor payments, and
 - (iii) followed by the numeral “3”, means the option in Part 2 of [Form 6](#) giving up all rights as automatic designated beneficiary;
- (k) “original owner” means the individual who was the member or former member of a pension plan and who made a transfer under section 30(5) or 38 of the Act or section 39, 40, 41 or 46.1 of the Regulation at any time, the assets deriving from which transfer are now held in this LIF;
- (l) “owner” means the original owner, a surviving pension partner owner or a non-member-pension partner owner;
- (m) “paragraph” and “Part” mean a paragraph and a Part, respectively, of this addendum;
- (n) “pension partner” means, in relation to an original owner,
 - (i) a person who, at retirement income commencement, was married to that original owner and had not been living separate and apart from that original owner for 3 or more consecutive years, or

- (ii) if there is no such married person, a person, if there is any, who, immediately preceding that time, had lived with that original owner in a conjugal relationship
 - (A) for a continuous period of at least 3 years, or
 - (B) of some permanence, if there was a child of the relationship by birth or adoption,

but does not include any person who is not recognized as a spouse or common-law partner for the purposes of any provision of the federal income tax legislation respecting RRIFs;

- (o) “retirement income commencement” means the time when the former member or original owner initially transferred the money from a pension plan or a LIRA to a LIF, a DC RIA or an LRIF (before its abolition);
- (p) “surviving pension partner owner” means
 - (i) an individual who made a transfer of the money under section 39(6) of the Act, or
 - (ii) a surviving pension partner of the original owner.

(2) Terms used in this addendum and not defined in subparagraph (1) but defined generally in EPPA/R have the meanings assigned to them in EPPA/R.

(3) Reference in this addendum to the execution of a waiver also requires the provision of it to the applicable pension plan administrator or financial institution for it to be effective.

(4) This addendum has no effect as a part of a RRIF or a LIF unless and until

- (a) the owner is at least 50,
- (b) this addendum is attached to the RRIF,
- (c) the issuer has made reasonable efforts to ascertain whether or not the original owner has a pension partner at the time the LIF would be established and, if so, his or her identity,
- (d) if there is such a pension partner, that institution has received an executed Option 2 of the [Form 6](#) waiver, and
- (e) that waiver has been attached to the RRIF,

and the waiver referred to in clause (e) becomes part of the LIF on its being attached to the RRIF.

(5) The fiscal year of this LIF is the calendar year.

Voluntary disposition

2 In general, the owner may not assign or otherwise voluntarily dispose of this LIF or any rights or obligations under it to another person, but this is subject to the exceptions dealt with later.

Involuntary access

3(1) The money in this LIF may not be seized, attached or otherwise taken by another person, except that the money is subject to the provisions of the *Maintenance Enforcement Act* and the marriage breakdown rules.

(2) The exceptions referred to in subparagraph (1) will or may continue to apply if the money is transferred from this LIF to another financial vehicle.

General rule on early withdrawal, etc.

4 No early voluntary withdrawal, commutation or surrender of money in this LIF will be permitted except in accordance with Part 5 or the transitional (temporary) maximum 50% unlocking option in Schedule 1.1 to the Regulation.

Locking in

5 Money that is not Alberta locked-in money will not be transferred to or continue to be held in this LIF.

Investment

6 The money in this LIF will be invested in a manner that complies with the rules for the investment of RRIF money contained in the federal income tax legislation.

Minimum retirement income provision

7 All the money in this LIF, including investment earnings, is to be used to provide or obtain retirement income or an annuity that is required or permitted by EPPA/R.

Splitting of contract

8 This LIF, if not eligible for the payment allowed by paragraph 27, may not be split so as to change it into 2 or more LIFs, DC RIAs or annuities or any combination of them that would make any of them so eligible.

Disclosure statements

9 The LIF issuer will provide to the owner or, in the case of a deceased original owner, the designated beneficiary or estate, as the case may be,

- (a) within 30 days after the beginning of each year, information on
 - (i) the amounts transferred into, the interest, gains and losses earned by, the payments made out of, and the fees charged against, this LIF during the previous year,

- (ii) the LIF account balance at the end of the previous year,
 - (iii) the minimum amount that must be paid out of this LIF to the owner during the current year, and
 - (iv) the maximum amount that may be paid out during the current year, being the greatest of the amounts calculated in accordance with paragraph 20(1)(a), (b) and (c),
- (b) if the owner makes a transfer specified in paragraph 11, a reconciliation of the LIF balance at the date of the transfer with the balance at the end of the immediately previous year, showing the amounts transferred into, the interest, gains and losses earned by, the payments made out of, and the fees charged against, this LIF in the intervening period, and
 - (c) where the owner receives a payment under Part 5 of this addendum, a reconciliation of the LIF balance at the date of payment with the balance at the end of the immediately previous year, showing the amounts transferred into, the interest, gains and losses earned by, the payments made out of, and the fees charged against, this LIF during the intervening period.

Part 2

Transfers In and Transfers and Payments Out

Transfer-in requirements

10(1) The LIF issuer

- (a) warrants to the owner that it is, and will make every endeavour while this contract exists to remain, on the Superintendent's list of acknowledged financial institutions for LIFs, and
 - (b) will ensure that only Alberta locked-in money is transferred to this LIF.
- (2)** A transfer to this LIF may be made only from a pension plan, another LIF, a LIRA or an LRIF.

Transfers to other vehicles

11 A transfer of money from this LIF is permitted, but only permitted,

- (a) to another LIF,
- (b) to a DC RIA, or
- (c) to an insurance business to purchase an annuity that, in the case of an original owner who had a pension partner at retirement income commencement, designates that

pension partner as the beneficiary of any death benefit provided by the annuity unless the original owner has provided to the LIF issuer an executed Option 3 of the [Form 6](#) waiver.

Transfer-out requirements

12(1) The LIF issuer will not transfer money from this LIF unless, to the extent applicable, it

- (a) has ascertained that the transferee financial institution, if issuing a LIF, is on the Superintendent's acknowledgement list for LIFs,
- (b) has ascertained that the transferee pension plan containing the DC RIA is registered under EPPA/R,
- (c) has advised the transferee financial institution or pension plan administrator that the money being transferred is Alberta locked-in money,
- (d) if the owner is an original owner who had a pension partner at retirement income commencement, provides the receiving financial institution or administrator with an executed Option 2 and, if applicable, Option 3 of the [Form 6](#) waiver,
- (e) if the transfer is to another LIF or to a DC RIA, provides that transferee with
 - (i) a copy of the information provided to the owner under paragraph 9(b), and
 - (ii) a copy of the decision made by the owner respecting the amount to be withdrawn during the current year.
- (f) if the transfer is to an insurance business to purchase an annuity,
 - (i) has ensured that the vehicle is an annuity, and
 - (ii) if the owner is an original owner, provides to the insurance business a certified copy of an executed the Option 2 and, if applicable, the Option 3 of the [Form 6](#) waiver,

and the LIF issuer will otherwise ensure that the EPPA/R rules on transfers out are obeyed.

Potential consequences of breach

13 If the LIF issuer disobeys any of the requirements in paragraph 12, it may have to fund the recipient vehicle (again if need be) to ensure that those entitled to the benefits of the recipient vehicle receive them in the form and manner required by EPPA/R.

General liability on payment out

14 If money is paid out to an individual person contrary to EPPA/R, the LIF issuer will ensure the provision of appropriate income to the owner, in accordance with EPPA/R, as if that legislation has not been breached.

Prohibition against double indemnity

15 Where the owner, as a result of EPPA/R, obtains, in effect, a double payment or a payment as well as a continuing interest in the LIF, the owner may be liable to repay amounts to which EPPA/R did not entitle him/her.

Federal tax legislation requirements

16 Without mention of other provisions of the federal tax legislation to which a transfer is or may be subject, any transfer made under paragraph 12 is subject to paragraph 146.3(2)(e.1) or (e.2) of the federal *Income Tax Act*.

Remittance of securities

17 Where this LIF holds identifiable and transferable investment securities, the transfers out referred to in this Part may, unless otherwise stipulated, at the option of the LIF issuer and with the consent of the owner, be effected by the remittance of any such securities.

Part 3 Payment Calculations

Commencement of income payment

18 The owner will be paid an income that will commence not later than the last day of the year following the year in which the LIF was established.

Establishment and alteration of income pay-out

19(1) Within 60 days after receipt of the information described in paragraph 9(a), the owner will establish and notify the LIF issuer in writing of the amount of income to be paid during the current year, except that if this LIF guarantees the rate of return of this LIF over a period that is greater than one year, then the owner may establish and notify, at the beginning of that period, the amount of income to be paid during any one or more of the years that end not later than the expiration of that period.

(2) The owner may, at any time during a year, change the amount of income to be paid provided that the amount will always result, by the end of the year, in a payment or payments that are at least equal to the minimum amount required by the federal tax legislation and that do not exceed the maximum amount calculated in accordance with paragraph 20(1).

Maximum income pay-out

20(1) Subject to subparagraph (2), the amount of income to be paid out during a year is not to exceed the greatest of

- (a) M, with that symbol being calculated in accordance with the following formula:

$$M = C/F$$

where

C is the balance of the money in this LIF on the first day of the year, and

F is the value on January 1 of the year in which the calculation is made of a guaranteed amount of which the annual payment is \$1 payable at the beginning of each year between that date and December 31 of the year during which the owner reaches the age of 85 years and calculated by using

- (i) an interest rate of not more than 6% per year, or
- (ii) for the first 15 years after the date of the valuation, an interest rate exceeding 6% per year if that rate does not exceed the interest rate obtained on Government of Canada marketable bonds of maturity over 10 years for the month of November preceding the year of the valuation, as compiled by Statistics Canada and published by the Bank of Canada as CANSIM Series V-122487 (formerly B-14013), and using an interest rate not exceeding 6% in subsequent years,
- (b) the minimum amount required to be withdrawn in accordance with the federal tax legislation, and
- (c) investment gains earned in the immediately previous year.

(2) For the initial year of the payment out of income,

- (a) the limit M is prorated in proportion to the number of months in the year in which this LIF was established divided by 12, with any part of an incomplete month counting as one month,
- (b) the minimum amount to be paid, as referred to in subparagraph (1)(b), is set at zero, and
- (c) investment gains referred to in subparagraph (1)(c) are 6% of the fair market value of this LIF prorated, where applicable, in proportion to the number of months in the year for which this LIF was established divided by 12, with any part of an incomplete month counting as one month.

Continuation of income payments

21 Subject to paragraph 19(2), if the money in this LIF is transferred to another LIF or to a DC RIA, payments to the owner will continue in the same manner as the owner selected at the beginning of the year of the transfer.

Additional transfers in

22(1) If, in any year, an additional transfer is made to this LIF and that additional transfer has never been under a LIF or a DC RIA before, an additional withdrawal is allowed in that year.

(2) The additional withdrawal will be calculated in accordance with paragraph 20(1) and prorated in accordance with paragraph 20(2) with respect to the amount that was transferred in.

Guarantee of rate of return over longer period

23 Where the exception in paragraph 19(1) applies, paragraphs 20, 21 and 22 apply with such modification as the circumstances require to determine, at the date of the beginning of the first year of the interval, the amount of income to be paid out for each year in that interval.

Part 4 Death of Owner

Deceased owners

25 Within 60 days after the delivery to the LIF issuer of the documents required by it following the death of the owner, the LIF balance will be paid

- (a) if the deceased owner was the original owner with a surviving pension partner who had not executed the Option 3 of the [Form 6](#) waiver, to that pension partner, or
- (b) if the owner was someone other than that original owner, to the owner's designated beneficiary or, if there is no such designated beneficiary, the owner's estate.

Manner of payment

26 The money will be paid, under paragraph 25,

- (a) as a cash lump sum, or
- (b) subject to the federal tax legislation, in the case of a surviving pension partner and if that person so elects, to an RRSP or RRIF.

Part 5
Withdrawal, Commutation and Surrender

YMPE based lump sum payment

- 27 The LIF issuer will on application make a lump sum payment of the whole LIF balance,
- (a) at any time if the LIF balance does not exceed 20% of the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan for the year in which the application is made, or
 - (b) if the owner is at least 65 and the value of the LIF does not exceed 40% of the YMPE for the year in which the application is made.

Non-residency for tax purposes

28 The LIF issuer will make a lump sum payment of the entire LIF balance if the owner applies to it with written evidence that the Canada Revenue Agency has confirmed that the owner is a non-resident for the purposes of the federal tax legislation and, where that owner is an original owner who has a pension partner at the time when the application is made, if such a pension partner has executed a [Form 5](#) waiver.

Life threatening condition

29 The LIF issuer will on application make a lump sum payment to the owner of the entire LIF balance or an equivalent series of payments if a physician certifies that the owner has a terminal illness or that due to a disability the owner's life is likely to be considerably shortened, but the LIF issuer may make the payment or payments, in the case of an original owner who has a pension partner at the time when the application for payment is made, only if such a pension partner has executed a [Form 5](#) waiver.

Financial hardship

30 The LIF issuer will make a lump sum payment or a series of payments, on application to the LIF issuer by the owner, if the owner has previously applied to the Superintendent for a release of all or part of the money due to financial hardship and the Superintendent has given written consent to that application.

Part X.1 of federal tax legislation

31 The owner may withdraw from this LIF such amount of money as is required to be paid to the owner to reduce the amount of tax otherwise payable under Part X.1 of the federal *Income Tax Act*.