



British Columbia Addendum to Contracts for a Life Income Fund (LIF)

The owner (undersigned) has applied to B2B Trust (Trustee) for a life income fund (Fund) to receive and hold locked-in pension assets as per the British Columbia *Pension Benefits Standards Act* (Act). The owner and the Trustee agree that this Addendum forms part of the Declaration of Trust for the Fund as follows:

Notwithstanding any term in this Addendum or the Declaration of Trust, the Fund shall be maintained as a life income fund that conforms with the Act, the Regulation (defined below) and the Income Tax Act (Canada).

Interpretation

1. For the purposes of this Addendum the word "Regulation" means the British Columbia *Pension Benefits Standards Regulations*.
2. For the purposes of this Addendum, words used herein shall have the meaning provided in the Act and the Regulation. The titles used herein are used for convenience only and do not affect any rights or liabilities under this Addendum or the Declaration of Trust.
3. The word "spouse" means, in relation to another person:
 - a) a person who at the relevant time was married to that other person, and who, if living separate and apart from that other person at the relevant time, did not live separate and apart from that other person for longer than the 2 year period immediately preceding the relevant time, or
 - b) if paragraph (a) does not apply, a person who was living and cohabiting with that other person in a marriage-like relationship, including a marriage-like relationship between persons of the same gender, and who had been living and cohabiting in that relationship for a period of at least 2 years immediately preceding the relevant time;

Notwithstanding the terms of this Addendum, the term "spouse" does not include any person who is not recognized as a spouse or common-law partner for the purposes of any provision of the *Income Tax Act* (Canada) respecting a Registered Retirement Income Fund (RRIF).

Assets transferred into the Fund

4. The Trustee may only accept a transfer of locked-in assets to the Fund if the member or former member (i) has obtained and provided to the satisfaction of the Trustee the written consent of the spouse, in the form and manner set out in Form 3 of Schedule 2 of the Regulation, and for the purposes of this Addendum, the written consent of the spouse, using said Form 3, is valid for each successive transfer of the money in a LIF to another LIF; or (ii) declares that he or she has no spouse.
5. The owner declares that all assets transferred into the Fund are directly or indirectly from:
 - a) a registered pension plan;
 - b) another LIF;
 - c) a locked-in registered retirement savings plan (locked-in RRSP), or
 - d) a life annuity contract.

All such transfers must comply with the *Income Tax Act* (Canada).

6. Assets that are not locked-in will not be transferred to or held under the Fund, unless the locked-in assets will be held in a separate account that will contain only locked-in assets.
7. The owner declares that if any of the assets to be transferred to the Fund are from a locked-in RRSP:
 - a) the owner is a former member of a pension plan that has attained:
 - i) the age of 55 years; or,
 - ii) an age less than 55 years if the owner provides evidence to the satisfaction of the Trustee that the pension plan, or any of the pension plans from which the assets were originally transferred, provided for payment of the pension at that earlier age; or
 - b) the owner is a former spouse of a member or former member of a pension plan, who is entitled to the pension benefit as a result of marriage breakdown, if
 - i) the separated spouse or former member has attained the age of 55 years, or in the case of a deceased former member, would have attained the age of 55 by the date of transfer had the former member still been alive, or
 - ii) the owner provides evidence to the satisfaction of the Trustee that the pension plan, or any of the pension plans from which the assets were originally transferred, provided for payment of the pension at an age less than 55 years, and the former member has attained that age, or in the case of a deceased former member, would have attained that age by the date of transfer had the former member still been alive.

Investment of Fund assets

8. The assets in the Fund will be invested in a manner that complies with the rules for the investment of RRIF assets contained in the *Income Tax Act* (Canada) and the regulations under the *Income Tax Act* (Canada), and will not be invested, directly or indirectly, in any mortgage in respect of which the mortgagor is the owner of the Fund or the parent, brother, sister or child of the owner or the spouse of any of those persons.

No assignment of Fund assets

9. Except as explicitly provided for in the Act or the Regulation, the assets in the Fund must be used to provide or secure pension benefits required under the Act and the Regulation, and may not be assigned, charged, alienated or anticipated and are exempt from execution, seizure or attachment and any transaction purporting to assign, alienate or anticipate the benefits is void.

Valuation of Fund assets

10. For the purpose of:
 - a) a transfer or payment of assets from the Fund;
 - b) the purchase of a life annuity contract; and,
 - c) a payment or transfer on the death of the owner

the values of the Fund, or the value of the balance of the Fund, shall be the fair market value of the Fund at the relevant time.

Fiscal year of the Fund

11. The fiscal year of the Fund ends on December 31st of each year and shall not exceed 12 months.

Income payments from the Fund

12. The owner will be paid an income, the amount of which may vary annually, and payment of the income will

commence not later than the last day of the second fiscal year of the Fund.

13. After the owner of the Fund has received the information referred to in this Addendum, the owner will establish, and notify the Trustee at the beginning of each fiscal year, the amount of income to be paid during that fiscal year of the Fund, unless the Trustee guarantees the rate of return of the Fund over a period that is greater than one year and that ends at the end of a fiscal year, in which case the owner may establish the amount of income to be paid during that period at the beginning of that period. The owner will also establish and notify the Trustee at the beginning of each fiscal year of the frequency of payments.
14. The owner must provide instructions to the Trustee regarding the amount and frequency of income payments 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. Each decision and instruction expires at the end of the fiscal year to which it relates.
15. If the owner does not provide the Trustee instructions regarding the value of any income payments, the minimum amount determined herein shall be deemed to be the amount paid. If the owner does not provide instruction as to the frequency of the payments, the income will be paid in one payment at the end of the fiscal year.
16. The owner must provide instructions to the Trustee as to which assets of the Fund to sell to ensure a liquidity of assets to make such payments. A failure of the owner to provide such instruction in advance of a payment date so as to allow the Trustee to create sufficient liquidity, will release the Trustee to create such liquidity at its discretion. The Trustee is released from any losses or investment liability in creating the sufficient liquidity at the owner's instruction or a failure of the owner to provide timely instruction.

The amount of income paid during a fiscal year of the contract will not be less than the minimum amount required to be paid under the Income Tax Act (Canada) and the regulations under the Income Tax Act (Canada), if there is a minimum amount, and will not exceed the greater of

- i) "Maximum" as determined in accordance with the following formula:

$$M = C \times F$$

where

C = the balance of assets in the Fund on the first day of the year, and

F = the factor in Schedule III of the Regulation for the reference rate for the year and the owner's age at the end of the preceding year, and

- ii) the preceding year's investment returns for the Fund, if there was a preceding year.

17. If the assets in the Fund are derived from assets transferred, directly or indirectly, during the first fiscal year of the Fund from another contract of the owner, then the limit M is equal to zero, except to the extent that the Income Tax Act (Canada) requires payment of a higher amount.
18. If in any fiscal year of the Fund, an additional transfer is made to the Fund and that additional transfer has never been under a contract before, an additional withdrawal will be allowed in that fiscal year. The additional amount of withdrawal referred to in this Addendum will not exceed the maximum amount that would be calculated under this Addendum if the additional transfer were being transferred into a separate contract and not this Fund.
19. The value F is calculated by using:
 - a) an interest rate of not more than 6% per year; or,
 - b) for the first 15 fiscal years of the Fund following the date of calculation, an interest rate exceeding 6% per year if that rate does not exceed the interest rate obtained on long term bonds issued by the Government of Canada for the month of November preceding the year of the valuation, as compiled by Statistics Canada and published in the Bank of Canada Review as CANSIM Series V112487 (formerly B-14013), and using an interest rate not exceeding 6% in subsequent years.
20. Where the amount of income to be paid to the owner is fixed at an interval of more than one year, this Addendum will apply with such modifications as the circumstances require to determine, at the date of the beginning of the

first year of the Fund in the interval, the amount of income to be paid for each fiscal year in that interval.

21. The Trustee reserves the right to process all payments or transfers out of the Fund subject to any withholding taxes, deductions, deduction of costs and the terms of each investment.

Shortened life expectancy withdrawal

22. The assets of the Fund may be withdrawn as a lump sum or series of payments for the purposes of section 40(2) of the Act if a physician certifies, to the satisfaction of the Trustee, that, due to a physical disability, the life expectancy of the owner is likely to be shortened considerably, but the payment may only be made if the spouse of the owner has waived, to the satisfaction of the Trustee, the joint life pension entitlement in the form and manner set out in Form 2 of Schedule 2 of the Regulation.

Non-resident withdrawal

23. A lump sum withdrawal may be made by the owner if the owner applies to the Trustee with written evidence that:

- a) the owner has been absent from Canada for two (2) or more years;
- b) the owner has become a non-resident of Canada as determined for the purposes of the *Income Tax Act* (Canada) and such non-residency, to the satisfaction of the Trustee, status has been confirmed by the Canada Customs and Revenue Agency; and,
- c) the owner completes and files a certificate of non-residency in Form 6 in the manner described in section 23.1(2) of the Regulation.

Small amount withdrawal

24. A lump sum payment equal to the value of the Fund assets may be made on application, satisfactory to the Trustee, by the owner to the Trustee for the payment, at any time.

- a) if the value of the Fund does not exceed 20% of the YMPE for the calendar year in which the application is made; or,
- b) if:
 - i) the owner has attained the age of 65 years at the end of the preceding fiscal year;
 - ii) the application is accompanied by a completed declaration in the form satisfactory to the Trustee; and,
 - iii) the value of the Fund and of other plans and contracts belonging to the owner does not exceed 40% of the YMPE for the year in which the application is made.

Transfers of assets out of the Fund

25. The owner is permitted to transfer all or part of the balance of the Fund:

- a) to another underwriter's LIF contract, on the relevant conditions specified in section 30 of the Regulation;
- b) to an underwriter's locked-in RRSP contract on the relevant conditions specified in section 29 of the Regulation;
- c) to a pension plan on the conditions referred to in section 33(2)(a) of the Act; or,
- d) to purchase an immediate life annuity contract in accordance with section 60(l) of the *Income Tax Act* (Canada), or a life annuity contract that meets the conditions in section 30(8) (k) and (k.1) of the Regulation and in accordance with section 60(l) of the *Income Tax Act* (Canada).

26. If the Fund holds identifiable and transferable securities, the transfers or purchases referred to in this Addendum may, unless otherwise stipulated, at the option of the Trustee and with the consent of the owner, be affected by remittance of the investment securities of the Fund.

The Trustee's transfer obligations

27. If assets from the Fund are paid out contrary to the Act, the Regulation or this Addendum, the Trustee will provide or ensure the provision of a pension equal in value to the pension that would have been provided had the money not been paid out.

28. The Trustee will, before transferring the assets of the Fund to a subsequent underwriter:

- a) ensure that the subsequent underwriter's name and contract are on the Superintendent's list established under subsection 30(3) of the Regulation;
- b) advise the subsequent underwriter in writing of the requirement to lock-in the money and the date of the transfer;
and,
- c) make the subsequent underwriter's acceptance of the transfer subject to the conditions provided for in the Regulation.

29. If the Trustee does not comply with its obligations under this Addendum to investigate the underwriter who will receive a transfer of assets from the Fund and the other underwriter fails to pay the assets transferred in the form of a pension or in the manner required or permitted by section 30 of the Regulation, the Trustee will provide or ensure the provision to the owner of the pension referred to in this Addendum.

30. If the owner receives assets that were related to the Fund from a subsequent underwriter in violation of the Act or the Regulation, the Fund or subsequent fund or underwriter has a right of action against the recipient for such assets.

Assets retained prior to transfer

31. Prior to transferring assets from the Fund under any provision of this Addendum, the Trustee shall withhold an adequate amount to satisfy the minimum amount payable to the owner in the particular fiscal year, as required, and in accordance with section 146.3(2)(e) of the Income Tax Act (Canada).

Joint and survivor annuity

32. When the balance of assets in the Fund are used to purchase a life annuity contract, the pension to be provided to a former member who has a spouse at the date the pension commences is to be a joint life pension payable during the joint lives of the former member and the spouse with at least 60% continuance to be payable to the survivor for life after the death of either, unless the spouse waives the entitlement, to the satisfaction of the Trustee, in the form and manner set out in Form 2 of Schedule 2 of the Regulation

Death of owner

33. On the death of the owner, and within sixty (60) days after the submission to the Trustee of the relevant documents required by the Trustee following the death, the balance in the Fund is to be paid to the surviving spouse, unless the surviving spouse waives spousal entitlement to the satisfaction of the Trustee in the form and manner set out in Form 4 of Schedule 2 of the Regulation, and the money must be transferred

- i) to another LIF contract on the relevant conditions specified in section 30 of the Regulation;
- ii) to an underwriter's RRSP contract on the relevant conditions specified in section 29 of the Regulation;
- iii) to a pension plan on the conditions referred to in section 33(2)(a) of the Act; or,

- iv) purchase a life annuity as per the Income Tax Act (Canada).

34. If there is no surviving spouse or the surviving spouse waives spousal entitlement to the satisfaction of the Trustee the assets of the Fund are to be paid by way of a lump sum payment to the designated beneficiary; or if there is no valid designation of beneficiary, to the owner's estate.

Disclosure for the benefit of the Fund owner

35. The Trustee shall, within ninety (90) days of the beginning of each fiscal year of the Fund:

- a) provide to the owner information respecting:
 - i) the sums deposited, the investment income earned, the payments made out of the Fund and the fees charged against the Fund during the previous fiscal year;
 - ii) the balance of the assets in the Fund; and,
 - iii) the minimum amount that must, and the maximum amount that may, be paid out of the Fund to the owner during the current fiscal year;
- b) if the balance of assets in the Fund is transferred as described in this Addendum, provide to the owner the information described in clause (a), as of the date of transfer; and,
- c) if the owner dies before the balance of assets in the Fund is used to purchase a life annuity contract or transferred under this Addendum, to the person entitled to receive the balance, the information described in clause (a), as of the date of death.

Differentiation based on sex of owner

36. Assets, including interest, that are transferred under section 30 of the Regulation must not be subsequently used to purchase a life annuity contract that differentiates on the basis of the annuitant's sex.

Relationship breakdown

37. Subject to the Act and the Regulation, the entitlement of any person to a benefit is subject to entitlements arising under a matrimonial property order under Part 6 of the Family Relations Act (B.C.) filed with the Trustee.

Amendment of this Addendum

38. The Trustee may amend the terms of this Addendum. The Trustee will provide the owner with thirty (30) days' notice of any such amendment unless required by the Act, the Regulation or the Income Tax Act (Canada) to make amendments by an earlier deadline.

Precedence of Addendum and indemnity for the benefit of the Trustee

39. The Trustee and the owner hereby affirm the provisions contained in the Declaration of Trust, and that the conditions of this Addendum will take precedence over other provisions in the Declaration of Trust in the case of conflicting or inconsistent provisions.

40. If the Trustee is to be required to make any payments out of the Fund under conditions not provided for under this Addendum, the owner will indemnify, release and hold harmless the Trustee. This indemnity will be binding on the owner's legal representatives, heirs, assigns and successors.

41. The owner hereby acknowledges receipt of a copy of this Addendum.

Please send completed Addendum to :

B2B Trust

130 Adelaide Street West, Suite 200, Toronto, Ontario M5H 3P5

Toll Free: 1.800.263.8349 or locally at 416.947.7427

b2btrust.com

Signature of Guarantee



B2B Trust Authorized Signature

Date (mm/dd/yyyy)

Name of Annuitant (owner)

Signature of Annuitant (owner)

Date (mm/dd/yyyy)