

**ADDENDUM FOR LIFE INCOME FUND (LIF)**  
Pursuant to the *Pension Benefits Act* (Nova Scotia)

BMO Trust Company  
1 First Canadian Place  
52<sup>nd</sup> Floor  
100 King Street West  
Toronto, Ontario M5X 1H3

Account Number \_\_\_\_\_

Plan Issuer for:

**BMO Retirement Income Fund acting through its Agent Bank of Montreal**  
**BMO Retirement Income Fund (Advisor) acting through its agent BMO Investments Inc.**

Upon receipt of locked-in pension assets pursuant to the *Pension Benefits Act* (Nova Scotia), and in accordance with the instructions of the Planholder to transfer the assets to a Nova Scotia life income fund, the Plan Issuer and Planholder agree that the provisions of this Addendum are appended to and form additional terms of the declaration of trust for the above-named retirement income fund:

1. **Pension Legislation.** For the purposes of this Addendum the word "Act" means the *Pension Benefits Act* (Nova Scotia) and the word "Regulations" means the *Pension Benefits Regulations* made under the Act.
2. **Definitions.** All terms in this Addendum which are used in the Act or Regulations have the same meaning as under the Act or Regulations. In this Addendum, "Plan" means the above-named retirement income fund, governed by the declaration of trust and the additional terms of this Addendum. "Planholder" means the planholder, accountholder or annuitant under the declaration of trust and application form for the Plan, and includes the "owner" as that term is used in the Regulations and Schedule IV. "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.
3. **Transfers Into the Plan.** The only assets that may be transferred into the Plan with this Addendum are assets originating, directly or indirectly, from:
  - (a) the fund of a registered pension plan, under clause 50(1)(b) of the Act, or
  - (b) a LIRA or another LIF

that conforms with the *Income Tax Act* (Canada), the Act and the Regulations. Any transfer into the Plan must be made on a tax deferred basis under the *Income Tax Act* (Canada).

Where the Planholder is a former member of a pension plan (including a former member who has previously transferred assets under clause 50(1)(b) of the Act), the written consent of the Planholder's spouse or common-law partner, if any, must be obtained before any assets are transferred into the Plan.

4. **Nova Scotia LIF Addendum.** This Addendum is to be read together with the "Nova Scotia LIF Addendum", prescribed as Schedule IV to the Regulations, which is also appended to the above-named retirement income fund.

Notwithstanding anything to the contrary contained in the Plan, for the purposes of any provision of the *Income Tax Act* (Canada) respecting registered retirement income funds, "spouse" and "common-law partner" as used in Schedule IV do not include any person who is not recognized as a spouse or common-law partner under the *Income Tax Act* (Canada).
5. **Transfers Out of the Plan.** Any transfer out of the Plan in accordance with subsection 12(1) of Schedule IV must be made on a tax deferred basis under the *Income Tax Act* (Canada). A transfer under paragraph 12(1)(b) of Schedule IV must be made in accordance with paragraph 60(l) of the *Income Tax Act* (Canada). In accordance with paragraphs 146.3(2)(e) and (e.2) of the *Income Tax Act* (Canada); the Plan Issuer will retain sufficient Locked-In Assets to satisfy the requirement to pay the minimum amount to the Planholder for the year.
6. **Amount and Frequency of Payments.** Further to subsection 5(1) of Schedule IV, regarding the income to be paid from the Plan, the Planholder must notify the Plan Issuer or the Agent by instructions of the amount and frequency of the payments for each fiscal year. If the Planholder does not give instructions as to the amount of the payments or instructs an amount less than the minimum amount for the fiscal year, the minimum amount prescribed for a registered retirement income fund under the *Income Tax Act* (Canada) will be paid. If the Planholder does not give instructions as to the frequency of the payments, the amount will be paid in one payment at the end of the fiscal year.

The instructions must be given within a reasonable time prior to the beginning of the fiscal year to which they relate, and the instructions expire at the end of the fiscal year to which they relate. With the consent of the Plan Issuer or Agent, the Planholder may change the amount and frequency of the payments or request additional payments by giving instructions.

The Planholder must give the Plan Issuer or Agent instructions as to which of the Locked-In Assets to sell where required in order to ensure there is sufficient cash in the Plan to make the payments. If the instructions are not received within a reasonable time before a payment is required, the Plan Issuer may sell any of the Locked-In Assets that the Plan Issuer, in its discretion, considers appropriate to provide the required cash; and the Plan Issuer will not be liable for any loss that may result from this action, including but not limited to investment losses or diminution of the Locked-In Assets, or for any related investment or administration expenses.

7. **Withdrawal Where Small Amount at Age 65.** Further to section 14 of Schedule IV, the Planholder may, upon application on Form 10, withdraw all of the Locked-In Assets if, when the Planholder signs the application

- (a) the Planholder is at least 65 years of age; and
- (b) the value of all assets in all LIRAs, LIFs and pension plans providing defined contribution benefits owned by the Planholder is less than 40% of the year's maximum pensionable earnings for the calendar year in which the application is made.

The value of all assets in all LIRAs, LIFs and pension plans providing defined contribution benefits life owned by the Planholder when he or she signs the application is to be determined in accordance with the most recent statement about each LIRA or LIF given to the Planholder. Each such statement must be dated within one year before the Planholder signs the application.

The application form must be signed by the Planholder and given to the Plan Issuer or the Agent. Any document that is required to be given to the Plan Issuer or the Agent under the paragraph and that must be signed by the Planholder is void if it is signed more than 60 days before the Plan Issuer or the Agent receives it. The Plan Issuer or the Agent must give the Planholder a receipt for the application form stating the date on which it was received.

The Plan Issuer or the Agent is entitled to rely upon the information provided by the Planholder in the application. An application that meets the requirements of section 27 of the Regulations constitutes authorization to the Plan Issuer to pay the amount from the Plan. The Plan Issuer or the Agent is required to make the payments to which the Planholder is entitled under section 27 of the Regulations within 30 days after the Plan Issuer of the Agent receives the completed application form and accompanying document.

8. **Withdrawal Where Shortened Life Expectancy.** Further to section 14 of Schedule IV, the Planholder may, upon application on Form 11, withdraw all or part of the Locked-In Assets if, when the Planholder signs the application, he or she has a mental or physical disability that is likely to shorten considerably his or her life expectancy.

The application form must be accompanied by a statement signed by a physician who is licensed to practice medicine in a jurisdiction in Canada that, in the opinion of the physician, the Planholder has a mental or physical disability that is likely to shorten considerably his or her life expectancy.

The application form must be signed by the Planholder and be given to the Plan Issuer or the Agent. Any document that is required to be given to the Plan Issuer or the Agent under the paragraph and that must be signed by the Planholder is void if it is signed more than 60 days before the Plan Issuer or the Agent receives it. The Plan Issuer or the Agent must give the Planholder a receipt for the application form stating the date on which it was received.

The Plan Issuer or the Agent is entitled to rely upon the information provided by the Planholder in the application. An application that meets the requirements of section 28 of the Regulations constitutes authorization to the Plan Issuer to make the payment from the Plan. The Plan Issuer is required to make the payment to which the Planholder is entitled under section 28 of the Regulations within 30 days after the Plan Issuer or the Agent receives the completed application form and accompanying document.

9. **Withdrawal Where Financial Hardship.** The Planholder may, upon written application, apply for the Superintendent's consent to the commutation or surrender, in whole or in part of the Locked-In Assets if the Superintendent is satisfied as to the existence of such circumstances of financial hardship as may be prescribed under Part IV of the Regulation.

The application must be completed and signed by the Planholder on a form approved by the Superintendent and submitted with the statements and any other documents required under the Regulations, by the Planholder to the Superintendent.

Where the Superintendent consents under subsection 72(5) of the Act, the Plan Issuer is authorized to pay from the Plan, in accordance with the consent:

- (a) the specified amount, net of any withholding tax and fee, to the Planholder; and
- (b) the amount of any related fee approved by the Minister, net of withholding tax, to the Minister.

The specified amount may be paid in the form of a lump sum payment. The Plan Issuer shall make the payment, or the first payment, as the case may be, within 30 days after receiving the Superintendent's consent. The consent is a nullity if the Plan Issuer or the Agent receives it more than 12 months after the date of the Superintendent signs it.

10. **Investment 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.

11. **Valuation.** For the purpose of a 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.

12. **Division of Locked-In Assets.** The Plan is subject to division of the Locked-In Assets between Spouses or Common-Law Partners (or former Spouses or Common-Law Partners) under section 61 of the Act and in accordance with Part II of the Regulations.

13. **Terms of Investments; Transfers and Payments.** All transfers and payments from the Plan are subject to the terms of the investments and will be subject to the withholding of any applicable tax and deduction of all reasonable expenses, costs, fees and charges. Transfers and payments may be made in cash or in kind, in accordance with the instructions of the Planholder and subject to the terms of the investments and the requirements of the Plan Issuer or the Agent.

14. **Indemnity.** Should the Plan Issuer and/or its Agent be required to make payments or to provide an annuity or a pension as a result of any Locked-In Assets being paid out or transferred otherwise than in accordance with the provisions of this Addendum, the Regulation or as may be required by applicable law, the Planholder will indemnify and hold harmless the Plan Issuer and/or the Agent to the extent that Locked-In Assets were previously received by or accrued to the benefit of any of them or the Planholder's estate. This indemnity will be binding upon the Planholder's legal representatives, successors, heirs and assigns.

15. **Amendment.** The Plan Issuer may not amend a Plan with this Addendum except in accordance with the following provisions:
- (a) the Plan Issuer or the Agent must give the Planholder at least 90 days notice of a proposed amendment other than an amendment described in subparagraph (b);
  - (b) the Plan Issuer must not amend the Plan with this Addendum if the amendment would result in a reduction in the Planholder's rights under the Plan, unless:
    - (i) the Plan Issuer is required by law to make the amendment; and
    - (ii) the Planholder is entitled to transfer the Locked-In Assets under the terms of the Plan with this Addendum that exist before the amendment is made;
  - (c) when making an amendment described in subparagraph (b), the Plan Issuer or the Agent must notify the Planholder of the nature of the amendment and allow the Planholder at least 90 days after the notice is given to transfer all or part of the Locked-In Assets.

Plan Issuer, by its Agent

Planholder:

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Print Full Name of Planholder

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Signature of Authorized Person

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Signature of Planholder

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Date

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Date

**Schedule IV**  
**Nova Scotia LIF Addendum**

**Interpretation**

1. (1) In this Schedule,

(a) "common-law partner" of an individual means another individual who has cohabited with the individual in a conjugal relationship for a period of at least 2 years, neither of them being a spouse;

(b) "regulations" means the *Pension Benefits Regulations*, of which this Schedule forms a part.

(c) "spouse" means either of a man and woman who

(i) are married to each other,

(ii) are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity, or

(iii) have gone through a form of marriage with each other, in good faith, that is void and are cohabiting or, if they have ceased to cohabit, have cohabited within the 12-month period immediately preceding the date of entitlement; and

(d) "temporary income" means periodic income paid under a pension plan, an annuity or a LIF to a person for a temporary period of time after retirement for the purposes of supplementing retirement income until the person is eligible to receive benefits under the *Old Age Security Act* (Canada) or is either eligible for or commences to receive retirement benefits under the Canada Pension Plan (Canada) or Quebec Pension Plan (Quebec).

(2) A fiscal year referred to in this Schedule is the fiscal year of a LIF, which must end on December 31 and must never exceed 12 months.

(3) A reference rate referred to in this Schedule for the fiscal year of a LIF

(a) is based on 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 by Statistics Canada and published in the Bank of Canada Review as CANSIM Series B-14013, with the following adjustments applied successively to that nominal rate:

(i) an increase of 0.5%,

(ii) the conversion of the increased rate, based on interest compounded semi-annually, to an effective annual rate of interest,

(iii) the rounding of the effective interest rate to the nearest multiple of 0.5%; and

(b) must not be less than 6%.

**Prohibitions**

2. Money held in a LIF must not be commuted, withdrawn or surrendered in whole or in part, except as permitted by Sections 27 and 28 of the regulations (small amounts at age 65 and considerably shortened life expectancy), or in accordance with Part 4 of the regulations (Financial Hardship).

3. Money held in a LIF must not be assigned, charged, or given as security except as permitted by subsection 70(3) or Section 71A of the Act, and any transaction purporting to assign, charge, anticipate or give such money in the LIF as security is void.

4. Money held in a LIF is exempt from execution, seizure or attachment except as permitted by Section 71A of the Act.

**Income commencement**

5. (1) The owner must be paid an income from the LIF, the amount of which may vary annually.

(2) Payment of the income from the LIF to the owner must begin no earlier than the earliest date the owner was entitled to receive a pension under any of the pension plans from which the money was transferred into the LIF, directly or indirectly.

(3) Payments must begin no later than the end of the second fiscal year of the LIF.

(4) The minimum amount of income paid during a fiscal year must not be less than the minimum amount prescribed for a RRIF under the *Income Tax Act* (Canada).

(5) The owner must establish the amount of income to be paid during each fiscal year at the beginning of that fiscal year and after the receipt of the information specified in subsection 11(1).

(6) If the financial institution guarantees the rate of return of the LIF over a period that is greater than one year, that period must end at the end of a fiscal year and the owner may establish the amount of income to be paid during that period at the beginning of that period.

### Minimum LIF withdrawal

6. The amount of the income paid during the fiscal year of a LIF must not be less than the minimum amount prescribed by the *Income Tax Act* (Canada), determined on the basis of the owner's age or the age of the owner's spouse or common-law partner where that person is younger than the owner.

### Maximum LIF withdrawal - no provision for temporary income

7. The maximum income (M) to be paid from a LIF from which no temporary income is paid, is determined by the following formula:

$$M = F \times C$$

where

"F" is the factor in Schedule V for the reference rate for the fiscal year and the owner's age at the end of the preceding year; and

"C" is the balance of the LIF at the beginning of the fiscal year, increased by any money transferred to the LIF after that date and reduced by any money transferred from another LIF to the LIF in the same year.

### Maximum LIF withdrawal - with temporary income

8. (1) A LIF may provide that the owner be entitled to a temporary income if the owner meets the following requirements:

(a) the owner makes an application in Form 9 (Application to a Financial Institution for Payment of Temporary Income from a LIF) to the financial institution that administers the LIF for payment of a temporary income under the LIF; and

(b) the owner is at least age 54 but under age 65 at the end of the year preceding the date of application.

(2) The temporary income must not be paid after the end of the year in which the owner reaches age 65.

(3) No temporary income is payable if any portion of a LIF payment is transferred to a non-locked-in retirement savings arrangement.

(4) The maximum temporary income (A) for the fiscal year is the lesser of

(a) 40% of the year's maximum pensionable earnings - T; and

(b)  $F \times C \times D$ ,

where

"F" is the factor in Schedule V for the reference rate for the fiscal year and the owner's age at the end of the preceding year;

"C" is the balance of the LIF at the beginning of the fiscal year, increased by any money transferred to the LIF after that date and reduced by any money originating during the same year from another LIF;

"T" is the total of temporary income from a pension plan for that fiscal year and temporary income from other LIFs of the owner; and

"D" is the factor in Schedule VI for the owner's age at the end of the year preceding the current fiscal year.

(5) Despite subsection (4), if  $F \times C \times D$  is equivalent to less than 40% of the year's maximum pensionable earnings, and the owner is not entitled to any temporary income from another LIF or from a pension plan, "A" is the lesser of

(a) 40% of the year's maximum pensionable earnings, and

(b) the LIF less LIF transfers.

(6) The maximum life income (E) to be paid from a LIF from which a temporary income is paid is determined by the following formula, provided that "E" must not be less than zero:

$$E = (F \times C) - (A \div D)$$

where

"F" is the factor in Schedule V for the reference rate for the fiscal year and the owner's age at the end of the preceding year;

"C" is the balance of the LIF at the beginning of the fiscal year, increased by any money transferred to the LIF after that date and reduced by any money originating during the same year from another LIF.

### Maximum income payable when the financial institution guarantees the rate of return of the LIF

9. (1) If the financial institution has guaranteed the rate of return of the LIF over a period greater than one year, and the owner establishes the amount of income to be paid during that period, the maximum income that may be paid during each of the fiscal years of that period is determined at the beginning of each of those fiscal years.

(2) For the first fiscal year, the maximum income is determined in accordance with Section 7.

(3) For each subsequent year, the maximum income is equal to the lesser of

(a) the balance of the LIF at the time of payment in that year; and

(b) the result of the formula  $(M \times J) \div K$

where

"M" represents the maximum income determined for the initial fiscal year,

"J" represents the balance of the LIF at the beginning of the fiscal year, and

"K" represents the reference balance determined at January 1 of the year, calculated as

(i) the reference balance at the beginning of the previous year, reduced by M, plus

(ii) the amount determined under subclause (i) multiplied by the reference rate for the year, if it is one of the first 16 fiscal years of the fund, or by 6% in any other case,

and in applying this formula to the second year of the period, the reference balance referred to in subclause (i) is the LIF balance at the beginning of the first year of the period.

#### **Excess income paid**

10. If the income paid to the owner during the fiscal year of the fund exceeds the maximum that may be paid, the balance of the fund must not be reduced by the excess, unless the payment is attributable to incorrect information provided by the owner.

#### **Information to be provided by the financial institution**

11. (1) At the beginning of each fiscal year, the financial institution must provide to the owner a statement indicating

(a) the balance in the LIF at the beginning of the fiscal year;

(b) information on the sums deposited, any accumulated investment earnings including any unrealized capital gains or losses, the payments made during the fiscal year and the fees charged against the LIF during the previous fiscal year;

(c) the minimum amount that must be paid out as income to the owner during the current fiscal year;

(d) the maximum amount that may be paid out as income to the owner during the current fiscal year;

(e) if the beginning of the fiscal year is later than the beginning of the calendar year, the sums deposited that were held in another LIF during the year;

(f) if the LIF provides for payment of a temporary income and the owner was at least 54 but less than 65 at the end of the preceding year,

(i) the terms and conditions the owner must meet to be entitled to payment of the temporary income under Section 8, and

(ii) that payment of temporary income will reduce the income that would otherwise be paid to the owner after age 65;

(g) that the maximum amount of income that may be paid to the owner will not be increased if a transfer is made to the LIF of assets held in another LIF during that year; and

(h) that if the owner wishes to transfer, in whole or in part, the balance of the LIF and still receive from the LIF the income determined for the fiscal year, an amount must be retained in the LIF at least equal to the difference between the income determined for the fiscal year and the income already received from the LIF since the beginning of the fiscal year.

(2) If the owner dies before the balance in the LIF is used to purchase a life annuity contract or is transferred under Section 12, the financial institution must provide to the owner's spouse or common-law partner or beneficiary or estate the information in clauses 11(1)(a) and (b) as of the owner's date of death.

(3) If the balance of the LIF is transferred to another financial institution or used to purchase a life annuity, the financial institution must provide the owner the information in clauses (1)(a) and (b) as of the date of the transfer or annuity purchase.

(4) If the balance of the LIF is transferred to another financial institution or used to purchase a life annuity, the financial institution must comply with the requirements of an administrator under subsections 23(16), (17), and (18) of the regulations.

#### **Information provided upon transfer of additional amounts to a LIF**

(5) Within 30 days following a transfer to a LIF of locked-in funds that have not been held in a LIF at any time in the current year, the financial institution must provide the owner with a statement indicating

(a) the balance of the LIF at the beginning of the fiscal year, any money transferred into the LIF during the fiscal year and balance of the LIF used to determine the maximum amount that may be paid to the owner as income during the fiscal year;

(b) the maximum amount that may be paid to the owner as income during the fiscal year;

(c) the minimum amount that must be paid to the owner as income during the fiscal year; and

(d) if the LIF provides for payment of a temporary income and the owner is at least 54 years of age but less than 65 years of age at the end of the preceding year, that the owner is entitled to receive payment of a temporary income.

(6) If a transfer is made to a LIF of assets held in another LIF at any time in the current fiscal year, the maximum amount of income that may be paid to the owner must not be increased.

#### **Transferring assets from a LIF**

12. (1) The owner of a LIF may transfer all or part of the assets in a LIF

(a) to another LIF;

(b) to purchase an immediate life annuity contract that meets the conditions of Section 24 of the regulations, provided the annuity does not commence on a date earlier than the earliest date the owner was entitled to receive a pension under any of the pension plans from which the money in the LIF was transferred; or

(c) to a LIRA, if permitted under the *Income Tax Act* (Canada).

(2) If assets in the LIF consist of identifiable and transferable securities, the financial institution may transfer the securities with the consent of the owner.

(3) The date of transfer must not be more than 30 days after the date of application by the owner unless the term agreed to for the investments has not expired.

(4) The financial institution must advise the financial institution to which the assets are transferred that the assets were held in a LIF in the current year.

#### **Death benefit**

13. (1) On the death of the owner, the balance in the LIF must be paid to or for the benefit of the owner's spouse or common-law partner or, if there is no spouse or common-law partner, the owner's designated beneficiary or, if there is no valid designation of beneficiary, the owner's estate.

(2) A spouse or common-law partner is not entitled to receive a death benefit if a division has been made under Section 61 of the Act (pension division) of the pension benefits transferred to the LIF, unless the spouse or common-law partner is the owner's designated beneficiary.

#### **Withdrawals**

14. An application for withdrawal of the assets held in a LIF must be made in accordance with Sections 27 and 28 of the regulations (small amounts at age 65 and considerably shortened life expectancy), or in accordance with Part 4 of the regulations (Financial Hardship).