

Upon receipt of the transfer of pension benefits governed under the *Supplemental Pension Plans Act*, Desjardins Financial Security Life Assurance Company and the Annuitant, as define hereunder, hereby agree that the provisions of this endorsement establishing the life income fund shall form part of the Contract.

1 Applicable Legislation

For the purposes of this endorsement, "**Act**" means the *Supplemental Pension Plans Act* and "**Regulation**" means the *Supplemental Pension Plans Regulation*.

2 Definitions

The following definitions apply to this endorsement:

- 2.1 "Annuitant"** means the purchaser, as defined in section 19 of the Regulation. It means the person whose name appears as the "**owner**" on the application accepted by the Company. For registered contracts, the Annuitant is always the owner.
- 2.2 "Beneficiary"** means the person(s) or legal entity(ies) designated to whom the death benefit of this Contract is payable upon the death of the Annuitant.
- 2.3 "Company"** means Desjardins Financial Security Life Assurance Company.
- 2.4 "Contract"** means the application, the annuity contract, any endorsement and this endorsement.
- 2.5 "LIF"** means the life income fund as defined in the Act and the Regulation.
- 2.6 "Plan Member"** means the person who is entitled to the amounts transferred into the Contract as a result of their participation in a pension plan governed by the Act and the Regulation.
- 2.7 "Spouse"** means the person related by marriage or civil union to the participant or living in a marital relationship with an unmarried or civil union participant for at least three (3) years or, in the following cases, for at least one (1) year if:
- at least one (1) child has been born or is to be born of their union;
 - they have jointly adopted at least one (1) child during the period of married life;
 - one of them has adopted at least one (1) child of the other during this period.

However, in all circumstances, 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).

3 Eligible Amounts

The Company may only accept amounts originating directly or initially from:

- a) the fund of a pension plan governed by the Act an registered as a pension plan ("**RPP**");
- b) a supplemental pension plan governed by a statute emanating from a legislative authority other than the Parliament of Québec and granting entitlement to a deferred pension as an RPP;
- c) a supplemental pension plan established by an act emanating from the Parliament of Québec or another legislative authority registered as an RPP;
- d) the locked-in account of a voluntary retirement savings plan ("**VRSP**") governed by the *Voluntary Retirement Savings Plans Act* (chapter R-17.0.1);
- e) the locked-in account of an equivalent VRSP emanating from a legislative authority other than the Parliament of Québec;
- f) another life income fund referred to in section 18 of the Regulation;
- g) a locked-in retirement account ("**LIRA**") referred to in section 29 of the Regulation;
- h) another annuity contract referred to in section 30 of the Regulation.

4 Fiscal Year

The LIF's fiscal year ends on December 31 of each year and may not exceed 12 months.

5 Payment of Income from the LIF

The amount of income paid during a fiscal year is set by the Annuitant each year, subject to the minimum amount.

5.1 Minimum amount

The amount of the income paid or of the payment of all or part of the balance of the LIF, in one or more instalments, during a fiscal year may not be less than the prescribed “**minimum amount**”, as that term is defined in subsection 146.3(1) of the *Income Tax Act* (Canada).

In accordance with the Regulation, the minimum amount may be determined on the basis of the age of the Spouse, if the Spouse is younger than the Annuitant. For the first fiscal year of the LIF, the minimum amount will be zero.

5.2 Annuitant under 55 years of age

The amount of the income paid during a fiscal year of the LIF to an Annuitant under 55 years of age may not exceed the amount “**M**” in the following formula:

$$M = A + E \quad \text{where,}$$

“**A**” represents the maximum temporary income for the fiscal year determined in accordance with section 5.2.1 or, if no amount was determined, the figure zero; and

“**E**” represents the upper limit of the life income, determined in accordance with section 5.2.2.

5.2.1 Temporary income

An Annuitant under 55 years of age may, during a fiscal year of the LIF, receive on request a temporary income payable in monthly instalments none of which may exceed one-twelfth of the difference between the following amounts:

- a) 50% of the Maximum Pensionable Earnings determined, for the year in which the payment is made, pursuant to the *Act respecting the Québec Pension Plan*;
- b) 100% of the Annuitant’s income for the 12 months that follow, excluding the income provided for in this section, provided the following conditions are met:
 - i) the income of the Annuitant for the 12 months that follow, excluding the income provided for in this section, does not exceed the amount referred to in paragraph 5.2.1 (a) hereinbefore;
 - ii) the Annuitant makes an application to the Company to that effect, accompanied by a declaration in conformity to the one prescribed in Schedule 0.5 of the Regulation and their written undertaking to request a suspension of payments as soon as their income, excluding the income provided for in this section, reaches the amount referred to in paragraph 5.2.1 (a) hereinbefore.

The temporary income may not be paid to the Annuitant where they have requested a suspension of payments nor after the end of the year in which they reach 55 years of age.

The Annuitant who is entitled to receive the temporary income referred to in this section who has become entitled to a pension under a pension plan and who is a Plan Member or Spouse may, for the purposes of replacing such pension by this temporary income, apply once a year for the transfer from the pension plan to the LIF of an amount equal to the lesser of the following amounts:

- a) the additional amount required for the balance of the LIF to allow, until the end of the year, the payment of the monthly payments provided for hereinabove in this section; and
- b) the value of their benefits under the plan.

Maximum temporary income (“A”). The Company determines the maximum temporary income for the fiscal year of the LIF following presentation of an application in accordance with this section. The maximum temporary income shall be equal to the product of multiplying the maximum monthly payment set in accordance with this section by the number of months remaining in the year as of the first day of the month in which application was made 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; the product is increased where necessary by any income provided for in this section 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 life income fund or from a supplemental pension plan that offers the variable benefits.

The maximum temporary income for the fiscal year may not be less than zero.

5.2.2 Upper limit of the life income (“E”)

The upper limit of the life income, for a fiscal year of the LIF of an Annuitant under 55 years of age, is equal to the amount “**E**” in the following formula:

$$E = F \times C - A$$

“**F**” represents the rate prescribed for a year, established on the basis of the month-end, nominal interest rate 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) the conversion of the interest rate, based on interest compounded semi-annually, to an effective annual interest rate;
- 2) an increase of 2.75% of the effective interest rate; and
- 3) the rounding of the effective interest rate to the nearest multiple of 0.25%.

“**C**” represents the balance of the LIF on the date on which the fiscal year begins, increased by any sums transferred to the LIF after that date and reduced by any sums originating directly or not during the same fiscal year from a LIF of the Annuitant or from a supplemental pension plan that offers the variable benefits.

“**A**” represents the maximum temporary income for the fiscal year determined in accordance with section 5.2.1 or, if no amount was determined, the figure zero.

“**E**” may not be less than zero.

5.3 Annuitant 55 years of age or over

5.3.1 Estimated amount of the life income (“N”)

The estimated amount of the life income that may be provided with the sums of the LIF held by the Annuitant 55 years of age or over is established by the Company according to the method it determines or, if it decides otherwise, is equal to the amount “N” of the following formula:

$$N = D/T$$

“D” represents the balance of the FRV on the date of the estimate;

“T” represents the commuted value, at the beginning of the fiscal year of the LIF, of the annual retirement pension of \$1, payable on January 1st of each year included in the period from the beginning of the fiscal year to December 31 of the year in which the Annuitant reaches 95 years of age; that value is determined on the basis of the month-end, nominal interest rate 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) the conversion of the interest rate referred to in element “T”, based on interest compounded semi-annually, to an effective annual interest rate;
- 2) an increase of 1.10% of the effective interest rate; and
- 3) the rounding of the effective interest rate to the nearest multiple of 0.25%.

“N” may not be lower than the minimum amount determined in accordance with section 5.1.

In addition, for Annuitant aged 95 years or over, element “T” is equal to 1.

5.3.2 Payment of all or part of the balance of the FRV.

Despite the estimated amount of the life income referred to in section 5.3.1, the Annuitant 55 years of age or over may, unless the term of the investments has not expired, receive all or part of the balance of the LIF in one or more instalments, on request to the Company made at any time for the current fiscal year of the LIF, and such payment is made, as applicable, regardless of the amount of the life income or of the payment in one or more instalments determined or received by the Annuitant for the fiscal year.

6 Death Benefit

In the event of the Annuitant’s death prior to the conversion of the entire balance of the LIF into a life annuity, the death benefit, the amount of which is equal to the balance, is payable in priority to the Spouse or, failing that, to the Beneficiary, if any, otherwise to the Annuitant’s successors.

At any time, the Company may request satisfactory proof that the Annuitant is living or has died and proof of the Beneficiaries’ rights as a condition precedent to making any payments.

7 Waiver

The Spouse may, at any time prior to the date of conversion of the entire balance of the LIF into a life annuity, waive their right to receive, in accordance with paragraph b) of the **Conversion into a life annuity** section, the surviving spouse’s annuity, or revoke such waiver upon notice given to the Company.

The Spouse may, at any time, waive their right to receive the death benefit provided for in the **Death Benefit** section by giving written notice to the Company.

The Spouse may also revoke this waiver, prior to the Annuitant’s death or conversion to a life annuity, by giving written notice to the Company.

8 Marital Breakdown

The Spouse ceases to be entitled to the benefit provided for in the **Death Benefit** section or, as the case may be, to the annuity provided for in paragraph b) of the **Conversion into a life annuity** section, upon separation from bed and board, divorce, annulment of marriage, dissolution or annulment of a civil union or, if not bound by a marriage or civil union, upon cessation of conjugal relationship, unless the Annuitant has sent the Company the notice provided for in section 89 of the Act.

9 Assignment and Seizure

Unless otherwise provided by law, amounts transferred to the LIF are non-transferable and non-seizable.

The seizable portion of the balance of the LIF may be paid in a lump sum in execution of a judgment rendered in favour of the Spouse that gives entitlement to a seizure for unpaid alimony

10 Transfer Out

The Annuitant may, unless the agreed-upon term of the investments has not expired, transfer all or part of the balance of the LIF into one of the following vehicles:

- a) a supplemental pension plan governed by a statute emanating from a legislative authority other than the Parliament of Québec and granting entitlement to a deferred annuity;
- b) a supplemental pension plan established by a statute emanating from the Parliament of Québec or another legislative authority;
- c) the locked-in account of a RVER governed by the *Voluntary Retirement Savings Plans Act*;
- d) the locked-in account of an equivalent RVER emanating from a legislative authority other than the Parliament of Québec, if the member joins this plan in the course of his or her employment;
- e) another life income fund referred to in section 18 of the Regulation;
- f) a LIRA referred to in section 29 of the Regulation;
- g) an annuity contract referred to in section 30 of the Regulation.

The life income or temporary income or, as the case may be, the payment of all or part of the balance of the LIF in one or more instalments may not be transferred to a registered retirement savings plan, a registered retirement income fund ("RRIF") or the non-locked-in account of a VRSP governed by the *Voluntary Retirement Savings Plans Act*.

Where the LIF contains identifiable and transferable securities, the transfer referred to in this section and in section 14 may, at the discretion of the Company and with the consent of the Annuitant, be effected by remittance of the investment securities held in the LIF.

11 Investments

The Annuitant's investment options are described in the Contract.

The amounts in the LIF will be invested in accordance with the rules for the investment of sums contained in a RRIF set out in the *Income Tax Act* (Canada) and its Regulations, and will not be invested, directly or indirectly, in any mortgage under which the mortgagor is the Annuitant, the Annuitant's father, mother, brother, sister or child, or the spouse of any of these persons.

12 Valuation of the LIF

The value of the LIF in all respects and at all times, including upon a transfer of assets, purchase of a life annuity contract and a payment or transfer upon the death of the Annuitant, will be determined in accordance with the provisions of the Contract and will meet the requirements of the Regulation.

13 Refund of Overpayment

If during any fiscal year, the income paid to the Annuitant exceeds the maximum amount allowable under the provisions of the Contract or under the Regulation, the Annuitant may, unless this payment is attributed to a false statement they made, demand that the Company pay, as a penalty, an amount equal to excess of the income paid.

14 Amendments

The Contract may only be amended in accordance with section 19 (11) of the Regulation, that is:

- a) The Company may not make any amendment that would restrict the rights under this Contract, unless the Annuitant is entitled to transfer the balance of the LIF prior to the date of amendment and has received, at least 90 days prior to the date on which they may transfer the balance, a notice advising of the amendment and of the date on which they may make this transfer;
- b) Except as required by law, the Company may not make any amendment other than the one provided for in paragraph a) hereabove without prior notice;
- c) The Company may amend this contract only to the extent that it continues to comply with the amended standard contract registered with ReTraite Québec.

15 Statements

The Company undertakes to provide the statements prescribed in sections 24 to 26 of the Regulation at the times determined therein.

16 Conversion into a Life Annuity

The LIF may be converted into a life annuity as long as the following conditions are met:

- a) the Company guarantees payment of that annuity through equal annual or more frequent periodic payments that may not vary unless each of them is uniformly increased in accordance with an index or rate provided for in the annuity contract in accordance with an index or rate stipulated in the annuity contract and provided for under subparagraphs 146(3)(b)(iii) to (v) of the *Income Tax Act* (Canada), or uniformly adjusted by reason of a seizure effected on the Annuitant's benefits, a redetermination of the Annuitant's annuity, a partition of the Annuitant's benefits in favour of their Spouse, the payment of a temporary annuity in accordance with the conditions provided for in section 91.1 of the Act or the option provided for in subsection 3 of the first paragraph of section 93 of the Act;
- b) in the event of the death of the Annuitant who is a former Plan Member or a Plan Member, the Company guarantees to the Spouse, who has not waived it, a life annuity equal to at least 60% of the amount of the Annuitant's annuity including, during the replacement period, the amount of any temporary pension;
- c) The annuity payment guarantee period, if applicable, cannot exceed 90 years minus the age (in whole years), at the time the contract is purchased, of the Annuitant or their Spouse if they are younger than the Annuitant and the Annuitant has made this choice

17 General Provisions

Notwithstanding any provision of the Contract to the contrary, the terms and conditions of this endorsement shall take precedence over the provisions of the Contract in the event of any inconsistency or conflict.

The Contract will at all times comply with the provisions of the Act, the Regulation and the *Income Tax Act* (Canada). In the event of a conflict between the applicable legislation and this endorsement, the provisions of the legislation will prevail to the extent necessary to resolve the conflict.



Denis Dubois
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Application Number

Name of Annuitant

X

Signature of Annuitant

Date (YYYY-MM-DD)