



MD Life
Head Office: Ottawa, Canada

*This Certificate is issued
under*

**Group Annuity Policy
MD Stable Income Fund**

issued to

**The Royal Trust Company
as Trustee and Policyholder**

and

**MD Insurance Agency Limited
as Agent**

Hereby Certifies

That The Royal Trust Company and/or any successor trustee authorized by law to act as the trustee is the Policyholder under the MD Stable Income Fund Group Annuity Policy (the "Policy") and that the Company holds the assets attributable to the Policy on a segregated basis in a fund known as the MD Stable Income Fund ("MDSIF" or the "Fund") and pursuant thereto the Company agrees to pay to the Policyholder on behalf of the Members certain benefits hereinafter described subject to the provisions of the Policy. MD Insurance Agency Limited is acting as the Agent and Policy Administrator for the Plans. In case of any conflict between this certificate and the Policy, the terms of the Policy shall prevail.

1. MEMBER

Member shall mean a participant in the Canadian Medical Association Retirement Savings Plan (CMARSP), the Canadian Medical Association Retirement Income Fund (CMARIF), ("the Plans") and/or the Canadian Medical Association Investment Plan (CMAIP) (the "Investment Account(s)").

2. OPERATION OF THE FUND

Premiums

(a) The Member may from time to time make payments to the Company as Premiums under the Policy .

Allocation of Units (Investments in the Fund)

(b) The Company shall establish a separate segregated account for the deposit of Premiums received in respect of the Policy.

(c) The Company shall apply the Premiums to notionally acquire Units in MDSIF. The number of Units will be determined by dividing the Premium by the Book Value of a Unit as determined at the Valuation Date coincident with or next following the date the Premium is received. The Units so acquired will be held to the credit of the Member's Account.

(d) Income will be calculated and credited on each Valuation Date in the form of Units and allocated to a Member's Account on a proportionate basis.

Redemption of Units (Withdrawals from the Fund)

(e) The Member may withdraw from the Member's Account Balance such amounts as permitted in accordance with the terms of the Policy in which case the Company shall notionally redeem sufficient Units from the Member's Account. The number of Units to be redeemed will be determined by dividing the amount of

the withdrawal by the Book Value of a Unit as determined on the Valuation Date on which the Units are to be redeemed. Units will be redeemed on the Valuation Date coincident with or next following the date the instructions are received.

Income of the Fund

(f) Income shall include interest income, dividends, amortized realized capital gains and losses due to trading, amortized asset defaults, amortized premiums or discounts, any amounts withheld due to market value adjustment, less expenses. Unrealized gains and losses are excluded from Income.

Book Value of Units

(g) The Book Value of the Units of the Member's Account at any time shall be the amount equal to the number of Units multiplied by the Book Value of a Unit for MDSIF as published for that Valuation Date.

(h) The Book Value of a Unit shall be maintained at \$10.00. Income derived within MDSIF will be credited in the form of Units.

(i) The Company shall determine the Book Value of MDSIF on each Valuation Date. In determining the Book Value of MDSIF the assets of MDSIF shall be valued at their acquisition price less principal repayments and adjustments for unamortized balances, together with Income thereon allocated on each Valuation Date since the acquisition. The value of any security which is expressed in a currency other than Canadian dollars will be converted into Canadian dollars at the then current rate of exchange.

Market Value of the MDSIF

- (j) The Company shall determine the Market Value of MDSIF on each Valuation Date. In determining the Market Value of MDSIF, the assets shall be valued at their market value when that is available from regular public trading, recognized securities pricing services and spreads and matrices based on comparable securities, reflecting both realized and unrealized gains and losses as well as reinvested investment income and by adding any uninvested cash and accrued investment income to the net asset value, and deducting any due or accrued expenses.

Fees and Expenses of the Fund

- (k) Any expenses incurred by the Fund, including investment management fees, shall be deducted from the Fund.

3. WITHDRAWAL RULES OF THE FUND

The Company shall make payments within 60 days from the receipt of the withdrawal request.

Unrestricted Withdrawals

- (a) On receipt of the Policyholder's request in respect of the Plans and/or Investment Accounts, withdrawals of funds attributable to a Member's Account of the nature described in this paragraph (a) may be made on behalf of the Plans and/or Investment Accounts at any time without regard to any and all restrictions imposed under the Policy.

- (1) Withdrawals on account of the death of the Member.
- (2) In respect of Plans, refunds of excess contributions under the Income Tax Act (Canada).
- (3) Total withdrawal of a Member's account, determined on a consolidated basis in respect of such Member, of \$5,000 or less.
- (4) Withdrawals on behalf of a Member who is in receipt of disability payments under the Canada Pension Plan or Quebec Pension Plan, provided such withdrawals are to purchase an immediate life annuity or to invest in a Registered Retirement Income Fund (RRIF), each to be in such form as is approved under the Income Tax Act (Canada) and/or Regulations thereto.
- (5) In respect of a Plan, minimum annual payments under a RRIF, as required by law.
- (6) Transfers between a CMARSP and CMARIF and/or between Investment Accounts attributable to such Member.
- (7) Withdrawals from a Member's Account upon marriage breakdown, provided such withdrawals are transferred to the benefit of the spouse of such Member.

Withdrawals Under Normal Withdrawal Activity

- (b) In addition to withdrawals permitted under paragraph (a) of this section, during a *Period of Normal Withdrawal Activity*, withdrawals may be made subject to the following terms and conditions:

- (1) A Member may instruct the Policyholder to withdraw, in a lump sum, in any 12-month period, an amount not to exceed 25% of the Member's Account Balance at the beginning of the month of the earliest withdrawal in the previous 11 months, less such Member's Prior Withdrawal Amount.

Any excess of the amount requested to be withdrawn over the amount available under this clause (b) (1) will be paid in an amount equal to a fraction of such excess, where the fraction is calculated as follows:

- (i) if the aggregate Book Value of the Units exceeds the Market Value of MDSIF, that fraction is determined by dividing the Market Value of MDSIF by the aggregate Book Value of the Units.
 - (ii) if the aggregate Book Value of the Units is lower than the Market Value of MDSIF that fraction is 1;
- (2) In lieu of the lump sum described in clause (b) (1) above, a Member requesting the withdrawal of the entire Member's Account Balance may elect to receive four annual instalments, the first instalment being equal to 25% of the Member's Account Balance, the second instalment being equal to 33 1/3% of the remaining Member's Account Balance one year later, including all Income credited during that year, the third instalment being equal to 50% of the remaining Member's Account Balance one additional year later, including Income, and the final instalment being the remaining Member's Account Balance a second additional year later, including Income.

A Member may cancel all future subsequent instalment payments by written notification to the Policyholder prior to the due dates of the next such instalments.

Withdrawals Under High Withdrawal Activity

- (c) In addition to withdrawals permitted under paragraph (a) of this section, during a *Period of High Withdrawal Activity*, withdrawals may be made subject to the following terms and conditions:

- (1) A Member may instruct the Policyholder to withdraw, in a lump sum, an amount not exceeding that portion of the Member's Prior Account Balance determined by dividing one by the Applicable Number of Instalments, less such Member's Prior Withdrawal Amount.

- (2) A Member may instruct the Policyholder to withdraw the entire Member's Account Balance in annual instalments. The first instalment to be paid shall be that portion of the Member's Account Balance equal to the fraction determined by dividing one by the Applicable Number of Instalments, and each subsequent instalment shall be that portion of the then remaining Member's Account Balance, including all Income credited since the previous instalment, equal to the fraction determined by dividing one by the number of instalments then remaining, including the current instalment. The amount of the first instalment shall not, in any case, be greater than the maximum amount available in a lump sum as determined under clause (c) (1) above.

However, in case of a CMARSP Plan already in instalment mode as established under Section 3 (b) (2) above, and in case of a CMARIF Plan, if the previously requested payments that are currently in progress, if annualized, exceed the amount determined under clause (c) (1) above, the payments shall continue as established.

A Member may cancel all future subsequent instalment payments by written notification to the Policyholder prior to the due dates of the next such instalments.

4. INVESTMENT RISKS ASSOCIATED WITH THE FUND

The following principal risks are relevant to the Fund: credit risk, foreign security risk, interest rate risk, market risk and sovereign risk. The fund does not use leverage.

- (a) **Credit Risk:** The financial stability or credit rating of the issuer of fixed income instruments and the recoverability of a mortgage will affect the book and market value of the Fund.

For example a large loss on a fixed income security or a mortgage could result in temporary negative Income to the Fund thereby reducing the number of Units held by the Member.

- (b) **Foreign Currency Risk:** The value of investments can be affected by fluctuations in currency exchange rates and changes in monetary policies for any non Canadian investments held.
- (c) **Interest Rate Risk:** The market value of investments will fluctuate in accordance with changes in interest rates.
- (d) **Market Risk:** The market value of investments generally will change from day to day in accordance with economic and stock market conditions.

- (e) **Sovereign Risk:** Investments in some foreign countries could be affected by the political actions, economic and social instability of the foreign countries and the availability of information about the foreign security issuers which may not be subject to disclosure requirements comparable to Canadian disclosure requirements.

5. GENERAL PROVISIONS

(a) **Beneficiary**

Subject to the applicable law, the Member may through the Policyholder, by filing written notice, on a prescribed form created for that purpose, with the Company, appoint or change a beneficiary or beneficiaries to receive the benefits under the Policy upon the Member's death. Any benefits payable hereunder, after the death of the Member, shall be payable to such beneficiary, or beneficiaries, if living, otherwise to the estate of the Member.

In the event a beneficiary is not the spouse of the Member, any benefits payable after the death of the Member to such a beneficiary shall be commuted.

(b) **Assignment and Commutation**

The benefits under the Policy shall not be assigned, and except as provided in paragraph (a) above shall not be commuted.

(c) **Currency and Place of Payment**

All payments under the Policy shall be in lawful money of Canada.

(d) **Annuity Option**

Subject to the provisions hereof, the Company shall assist a Member with an Investment Account, in the provision and purchase for their benefit, at any time as instructed by the Member, an annuity, and as it relates to Members with a Plan, in the provision and purchase for their benefit, an annuity as at the Retirement date, or such later date, as requested by a Member with a CMARIF. The amount of the Member's annuity shall be an amount equal to that which may be purchased by the Book Value of Units allocated to and representing the Member's Account Balance, subject to any withdrawal restrictions outlined in Section 3, determined as at the instruction date for Members with Investment Accounts and as at Retirement Date for Members with Plans.

For Members with Plans, the annuity shall be paid to the Member monthly, commencing on the Retirement Date and continuing until one hundred and twenty (120) monthly payments have been made and thereafter so long as the Member lives. However, the Member may elect that the annuity be of any annuity option then generally available from the Company that meets the definition of "qualified investment" under the Income Tax Act of Canada and its Regulations for the respective Plans.

If the amount of the monthly payment to be made under the annuity is less than the minimum amount set by the Company from time to time (currently \$50.00), the Company may at its discretion, pay the annuity on the equivalent quarterly, semi-annual or annual basis as applicable.

For members with Investment Accounts, the annuity shall be paid to the Member at intervals as chosen by the Member from the options provided by the annuity chosen, and commence on the date of the purchase of the annuity and continue as outlined in the Annuity so chosen.

If the amount of the monthly payment to be made under the annuity is less than the minimum amount as set by the Insurer providing the annuity from time to time, the Member expressly agrees to receive the equivalent annuity payment on a quarterly, semi-annual or annual basis as applicable.

The amount of any annuity purchased for the Member shall be determined in accordance with the Company's then current rates for such policies.

The Company shall have the right to require evidence of age and sex of the Member prior to commencement of any annuity and evidence satisfactory to the Company of survival of the Member on the due date of each annuity payment. No annuity or other benefit shall be payable until receipt by the Company of such evidence.

(e) **Discontinuance of Premiums**

The Policyholder may notify the Company in writing that no further Premiums are to be received under the Policy, in which case the Policy shall remain in force and, subject to any legislation or regulations applicable to the Plans and/or Investment Accounts, and the Members thereof, the Company will continue to hold the assets under the Policy and to provide benefits, rights and privileges to all Plans, Investment Accounts and Members in accordance with the terms of the Policy.

(f) **Transfer to Another Insurer**

The Policyholder may notify the Company in writing that all or part of the MDSIF, or monies derived therefrom, is to be transferred to one or more insurer(s) (the "Replacement Insurer") who shall be designated by the Policyholder, provided that such Replacement Insurer shall be required as a condition to such transfer to provide rights and privileges which in the sole opinion of the Policyholder are at least equal to or better than the rights and privileges contained in the Policy. In the event the Policyholder provides notice to the Company of a partial transfer, the Company and the Policyholder shall determine the amount and the methods of transfer on a fair and equitable basis.

(g) **Termination of the Plans**

If the Policyholder notifies the Company in writing that the Plans are to be discontinued the Company shall process a withdrawal of Member's Account Balances pursuant to Section 3 (c), and any legislation and regulations applicable to the Members, reserving the right to make payments within 60 days from the receipt of such notification.

(h) **Amendment of the Policy**

The Policy may be changed, altered or modified by agreement in writing between the Policyholder and the Company, without the approval of or notice to the Member, provided however that any such change, alteration or modification shall not have the effect of making the rights and privileges any less favourable to the Member. Any change, alteration or modification having adverse effect shall only be effective following at least sixty (60) days prior notice to the Member.

(i) **Assumption of Policy**

The Policyholder may require, and the Company may, with the consent of the Policyholder, assign the obligations and entitlements of the Company to another insurer, following which the Policy shall continue in full force and in effect.

(j) **Termination of the Policy**

The Company and the Policyholder may agree to terminate the Policy at any time in which case the Market Value of MDSIF shall be paid out.

6. DEFINITIONS

(a) **Applicable Number of Instalments**

Applicable Number of Instalments shall mean a number equal to the lesser of (1) and (2) as defined below, but not less than four in any case:

(1) six;

(2) the lowest integer exceeding twice the number of years of the average term to maturity of investments within the segregated portfolio assets of the Policy as at the date of request for withdrawal.

(b) **Member's Account Balance**

Member's Account Balance shall mean the Book Value of MDSIF attributable to a Member on any particular Valuation Date which is equal to the number of Units allocated to the credit of the Member's Account multiplied by the Book Value of a Unit on the Valuation Date.

(c) **Member's Prior Account Balance**

Member's Prior Account Balance shall mean a Member's Account Balance at the beginning of the month of the earliest withdrawal taken into account under (d) below in the previous 11 calendar months, provided that to the extent no such withdrawal has occurred during such

period, then such Member's Prior Account Balance shall be such Member's Account Balance at the beginning of the current month.

(d) **Member's Prior Withdrawal Amount**

Member's Prior Withdrawal Amount shall mean the sum of any and all withdrawals (other than withdrawals expressly enumerated in Section 3 (a) hereof) made by the Plan or Investment Accounts of such Member during the previous 11 calendar months.

(e) **MD Stable Income Fund or MDSIF**

MD Stable Income Fund or MDSIF shall mean the assets attributable to the Policy, to which Premiums and the Income derived therefrom have been allocated in accordance with the Policy, to be held by the Company on a segregated basis that is separate from the Company's general funds.

(f) **Period of High Withdrawal Activity**

Period of High Withdrawal Activity shall mean such a period of time commencing upon the occurrence of the event described in (1) below and continuing without interruption until and including the date of the occurrence of the event described in (2) below:

- (1) The date on which the aggregate of all Member's Account Balances or parts thereof requested to be withdrawn in any given month and those so requested in the preceding two months exceeds 7% of the aggregate of all Member's Account Balances held under the Policy at the beginning of the given month;
- (2) The last day of a given month when the aggregate of all Member's Account Balances or parts thereof requested to be withdrawn in such month and the preceding two months is less than 5% of the aggregate of all Member's Account Balances held under the Policy at the end of such three-month period;

The Member's Account Balances and withdrawal amounts referred to in the above subparagraphs shall exclude all withdrawals described in Section 3 (a).

(g) **Period of Normal Withdrawal Activity**

Period of Normal Withdrawal Activity shall mean such periods of time that do not constitute a Period of High Withdrawal Activity.

(h) **Retirement Date**

The Retirement Date shall be the first day of a calendar month in any year selected by the Member provided that such day shall not be later than the first day of December of the calendar year in which the Member attains sixty-nine (69) years of age or such later date, as requested by Member in a CMARIF.

(i) **Maturity Date**

The Maturity Date shall be the first day of a calendar month in any year selected by the Member provided that such day shall not be later than the first day of December of the calendar year in which the Member attains one hundred and twenty (120) years of age.

(j) **Valuation Date(s)**

Valuation Dates shall generally mean every business day of the year and in respect of which a determination of the Book Value of MDSIF shall be made. However, the Company may defer determination of the Book Value of MDSIF in case of emergency beyond the Company's control, when it is impractical to determine such value.



Andrew Jackson
President & Chief Executive Officer



Christine Allison
Assistant Vice President & Chief Financial Officer