



# OMERS

Plan for the Future

## CONSIDER THE AVC OPTION

An *exclusive* retirement savings  
opportunity for OMERS members

## IMPORTANT!

This guide provides important information for OMERS members about contributing to the Additional Voluntary Contribution provision (AVC provision) of the OMERS Primary Pension Plan and should be read carefully before you decide to contribute to an AVC account. The information in this guide is not intended to provide advice on whether Additional Voluntary Contributions are suitable for any particular member. OMERS members are encouraged to consult a qualified financial adviser prior to making any investment decisions. The Terms of Participation attached to this guide provide a summary of the rules and terms of the AVC provision and should also be read carefully by you and, where applicable, your spouse. The legal documents which implement the AVC provision contain carefully drafted terms with precise meanings. If any statement made in this guide is inconsistent with a provision of the legal documents which implement the AVC provision, the legal documents which implement the AVC provision must be followed and will prevail in all cases.

In the guide, we refer to the OMERS Primary Pension Plan as the “OMERS Plan,” and we refer to the fund for the OMERS Primary Pension Plan as the “OMERS Fund” or “Fund.”

The member profiles presented in this guide are intended to illustrate the features you may wish to consider before contributing to an AVC account. The profiles are loosely based on frequently asked questions by members.

## YOUR INFORMATION IS SECURE

Personal information is collected for pension administration purposes by OMERS under the authority of Section 35 of the *OMERS Act, 2006*. OMERS does not share your personal information with any other person other than for purposes of pension plan administration, and, by providing personal information, you consent to its use for those purposes. The collection, use, retention and destruction of personal information are subject to our Privacy Policy, which can be found at [www.omers.com](http://www.omers.com).

Any questions regarding the collection of personal information should be directed to OMERS Client Services at 1-800-387-0813.

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# Part 1

## OMERS comes with benefits

The idea for the AVC option grew from requests by members. An AVC account is similar in many respects to the features of a registered retirement savings plan, with the benefit of OMERS investment expertise.



## DID YOU KNOW...

Six months after the AVC option started on January 1, 2011, close to 5,000 members had chosen to participate and AVC contributions totalled approximately \$90 million.



## BENEFIT FROM OMERS SOLID INVESTMENT MANAGEMENT

As a member of OMERS, you're already familiar with the reputation of OMERS for solid, long-term investment management. In fact, many members have given us their vote of confidence by asking if they can invest money in the OMERS Fund. *Well now you can.* On January 1, 2011, OMERS started to accept Additional Voluntary Contributions, or AVCs. This new retirement savings and investment opportunity is available exclusively to OMERS members.

The idea for the AVC option grew from requests by members. An AVC account is similar in many respects to the features of a registered retirement savings plan (RRSP), with the benefit of the same investment expertise you have come to rely on for your OMERS defined benefit pension. As well, you can access your AVC account securely online through myOMERS, and use the support of the same trusted OMERS Client Services.

With \$53.3 billion\* in net assets, the OMERS Fund is managed by some of the most talented investment professionals in the business. Their approach to investing the Fund of diversified global assets has a single purpose—to earn superior returns without taking undue risk.



### IMPORTANT

The AVC provision is a feature of the OMERS Primary Pension Plan.

\*as at December 31, 2010

Members can transfer funds to an AVC account from registered retirement vehicles, such as an RRSP. Active members can also make automatic contributions to an AVC account.

Funds in your AVC account can be fully withdrawn when you retire, or if you leave your OMERS employer. However, there are restrictions on withdrawing money from your AVC account while contributing to an OMERS pension. Consider AVCs as a part of your overall plan to save for retirement which may include RRSPs, tax-free savings accounts (TFSA), or other assets that can be more easily converted to cash.

AVCs are offered on a cost-recovery basis, which means no profit margin is built into the calculation of the fees and expenses.



## IMPORTANT

This guide is intended to help you decide if an AVC account fits your overall plan to save for retirement. It is not intended to provide specific retirement savings advice. You should consider seeking the counsel of a qualified financial adviser you trust.



## DID YOU KNOW...

An AVC account is invested with the same care, using the same investment expertise, strategy and diversified fund that you rely on for your OMERS pension.

### Comparing AVCs to RRSP investments – Some similarities, differences

FEATURES	AVCs	RRSP INVESTMENTS
Eligibility	Exclusive to OMERS members	Widely available
Tax-deductible contribution in the year it is made	Yes	Yes
Contributory limit	Yes	Yes
Tax-deferred	Yes	Yes
Transfers from other retirement savings accounts (e.g., RRSP)	Yes Must be done during the January 1 to April 30 window.	Yes
Withdrawal while contributing to an OMERS pension	Limited to a maximum of 20% per year, subject to a minimum \$500. Must be done during the March/April withdrawal window.	No limit
The option to fully withdraw or transfer funds at retirement or if you leave your OMERS employer	Yes	Yes
Fees and expenses	On a cost-recovery basis. The investment management component is a percentage calculated annually (the most recent is about 0.6%) and deducted from the rate of return; the administration component is an annual fee – for 2012 it's \$23.	Fees will vary
Special withdrawal programs (e.g., Home Buyers' Plan, or the Lifelong Learning Plan)	Unavailable	Available

\* This percentage is calculated each year on a cost-recovery basis in proportion to the investment management expenses for the OMERS Fund. The percentage for the past five years has ranged from just under 0.4% to just over 0.6%.

## Does an AVC account fit with your plans?

The decision to contribute to an AVC account is entirely up to you. However, AVCs are likely most suitable for members with:

- adequate cash flow
- an interest in investing in an actively managed, balanced, diversified global fund
- mid-to-long-term investment horizon—this is a time frame of at least 5 to 15 years and is generally considered appropriate for retirement savings
- moderate risk tolerance—although the OMERS Fund has averaged an annual rate of return of 5.73% over the last 10 years, there is the potential for a negative return (loss) in any given year.

An AVC account is an attractive option available exclusively to OMERS members, but it may not fit with everyone's investment plan, risk tolerance, cash-flow situation or stage of life. Take the time to learn more about the AVC option and how it may fit your financial plan for retirement. To ensure you make an informed choice, OMERS encourages you to:

- carefully review the information in this guide
- explore the retirement planning tools available through myOMERS
- seek the counsel of a qualified financial adviser you trust.



### DID YOU KNOW...

Details concerning AVCs are found in the Terms of Participation attached to this guide.

# Case Study

David | Age 38 | Municipal Traffic Worker

## THE AVC OPTION IS EXCLUSIVE TO OMERS MEMBERS

David and his wife, Bernadette, live in Durham region. David works for a municipal traffic department and has contributed to OMERS for 16 years. He is 38 and Bernadette turns 40 later this year. They own their home and their son plays hockey and lacrosse. They make regular payments to their child's registered education savings plan (RESP), they recently started a tax-free savings account (TFSA) at the suggestion of their local bank manager and they make monthly contributions to their RRSPs.

David is considering an AVC account primarily because he likes the reputation of OMERS for long-term investment growth.

To afford his biweekly contributions without putting stress on the family finances, David will likely reduce contributions to his RRSPs and use the money to contribute to an AVC account. If David wants to modify or stop his automatic contributions at any time, he can do so through myOMERS, or by calling OMERS Client Services.

*What may be right for David may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*





# Part 2

## Contribution options

Depending on your category of membership, contributions to your AVC account can be made automatically, as a fund transfer, or both.

# IMPORTANT

A member's surviving spouse or child cannot have an AVC account unless they are also members of OMERS.

## ELIGIBILITY

The AVC option is available exclusively to members with service in the OMERS Plan. This includes members currently contributing to the OMERS Plan (active members), members who left their OMERS employer but kept their pension in the OMERS Plan (deferred members) and retired members to the end of the year they turn age 70. (It is not available to spouses, surviving spouses or other beneficiaries who are not also members.)

AVCs are a feature of the OMERS Plan; depending on your category of membership, contributions to your AVC account can be made automatically, as a fund transfer, or both.


### The AVC option is exclusive to OMERS members

ACTIVE MEMBERS	RETIRED (TO AGE 70) AND DEFERRED MEMBERS
<p>Includes those:</p> <ul style="list-style-type: none"><li>• currently contributing to the OMERS Plan</li><li>• on a disability waiver</li><li>• on an authorized leave of absence</li><li>• employed beyond 35 years of credited service.</li></ul>	<p>Includes those:</p> <ul style="list-style-type: none"><li>• currently receiving an OMERS pension</li><li>• no longer with an OMERS employer but kept their pension with OMERS.</li></ul>

## AUTOMATIC CONTRIBUTIONS

If you're an active member, you can make regular contributions to your AVC account, using pre-authorized debit, either every two weeks or monthly. Active members include those currently working for an OMERS employer, members who are on a disability waiver or an authorized leave of absence and members who continue working beyond 35 years of credited service.

Using the myOMERS secure member access site, or by calling a Client Services representative, you can stop or modify contributions at any time. Contributions to an AVC account must be made during the pay period, so you can't write a cheque for your total annual contribution or to make up for missed payments.



There are pension adjustment (PA) reporting rules under the federal *Income Tax Act* which affect the amount of automatic contributions that can be made. OMERS has set contribution limits based on contributory earnings and credited service, and which take into account the PA reporting rules of the *Income Tax Act*.

We have built controls in the automatic contribution process to reduce the likelihood that members will over-contribute. However, there are factors we cannot predict, such as an unexpected change to your contributory earnings or a leave of absence. After year end, based on membership information provided by your employer, OMERS will confirm that your AVC contributions are appropriate given your actual contributory earnings, credited service and PA record. If your AVC contributions for the year exceed the *Income Tax Act* limits, your automatic contributions will be stopped and OMERS will refund the excess as a lump sum, less the withholding tax. You may resume automatic contributions at any time and your new maximum contribution limit will be based on the most recent membership information we have on file.

Under the AVC provision a minimum contribution amount of \$20 every two weeks or \$40 monthly is required.



## DID YOU KNOW...

You can transfer funds from your RRSPs and other registered retirement vehicles to an AVC account, tax-deferred, but be aware your financial institution may charge you transfer and liquidation fees – be sure to ask.



### Automatic contribution limits established by OMERS

The limits were calculated using the 2011 CPP earnings limit; the ranges and limits for 2012 may be slightly different. Visit [www.omers.com/Pensions/Members](http://www.omers.com/Pensions/Members) for the current automatic contribution limits.

Your automatic contributions begin to earn the OMERS Fund rate of return, less investment management expenses, from the date they are received.

CONTRIBUTORY EARNINGS*	BIWEEKLY MAXIMUM	OR	MONTHLY MAXIMUM
	26 DEBITS PER YR.		12 DEBITS PER YR.
Less than \$4,445	nil		nil
\$4,445 – \$11,522	\$20		\$40
\$11,523 – \$19,749	\$38		\$83
\$19,750 – \$27,983	\$58		\$125
\$27,984 – \$36,211	\$77		\$167
\$36,212 – \$44,444	\$96		\$208
\$44,445 – \$115,130	\$115		\$250
More than \$115,130	\$20		\$40

\* Contributory earnings are before taxes and are based on full-time 12-month employment. When selecting your earnings range, do not include expected overtime earnings.

### FUND TRANSFERS TO AN AVC ACCOUNT

The lump-sum fund transfer to an AVC account is an option available to all OMERS members, including active members, members with a deferred pension and retired members to the end of the year they turn age 70. Members can transfer funds to an AVC account from registered retirement vehicles such as an RRSP, a locked-in retirement account (LIRA) or another registered pension plan. OMERS does not impose a minimum or maximum amount that can be transferred from another registered retirement vehicle.

Fund transfers are permitted during the first four months of the year—from the beginning of January to the end of April. Amounts transferred begin to earn the OMERS Fund rate of return, less investment management expenses, from the date they are received.

If you transfer funds from a registered pension plan to an AVC account, there may be limits applied by the transferring institution, so be sure to ask the pension plan administrator prior to the transfer.

### At a glance: Two ways to grow an AVC account

	<b>AUTOMATIC CONTRIBUTIONS</b>	<b>FUND TRANSFERS TO AN AVC ACCOUNT</b>
<b>ELIGIBLE</b>	Active members	Active, deferred and retired members to the end of the year they turn age 70.
<b>WHEN</b>	Throughout the year on a biweekly or monthly basis.	During the annual transfer window, from January 1 to April 30.
<b>CONDITIONS</b>	Subject to pension adjustment (PA) limits and a minimum contribution of \$20 biweekly or \$40 monthly.	No minimum or maximum imposed by OMERS, and must come from a registered retirement savings vehicle, or registered pension plan.



### DID YOU KNOW...

Monthly or biweekly AVC automatic contributions are easy to set up throughout the year and are tax-deductible.

# Case Study

Lynn | Age 34 | Children's Aid Caseworker

## THE AVC OPTION: CONVENIENT AUTOMATIC CONTRIBUTIONS

Lynn is a 34-year-old Children's Aid caseworker who owns her own home in the Waterloo region. Like many people her age, Lynn is focused on her career. So let's face it, talking about retirement savings opportunities has as much appeal to Lynn as watching paint dry.

What does resonate with Lynn is that the fees and expenses are on a cost-recovery basis. This has Lynn's attention because she appreciates good value. Lynn is considering making the minimum \$40 monthly contribution because for her it's relatively painless and tax deductible. The minimum automatic contribution to an AVC account is about the cost of a medium double-double per day—and that's more appealing than watching paint dry.

*What may be right for Lynn may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*



# EXPENSES

## EXPLAINED

### OMERS expenses

OMERS incurs expenses for three primary purposes: direct pension administration, direct investment management and, corporate services. Direct pension administration expenses represent expenses to provide direct services to OMERS members and employers. Direct investment management expenses represent expenses of the investment entities managing OMERS investments. Investment management expenses primarily include salary and external manager costs. The basis point cost of investment management expenses also depends in part on the investment performance of internal and external investment professionals. Corporate services expenses primarily include corporate information systems, accounting, legal and other governance expenses, incurred to support either the pension administration or the investment management functions of OMERS and are allocated to one or the other of these functions. The pension administration expenses and the investment management expenses for 2010 are disclosed in Note 13 to the Consolidated Financial Statements of the OMERS 2010 Annual Report.

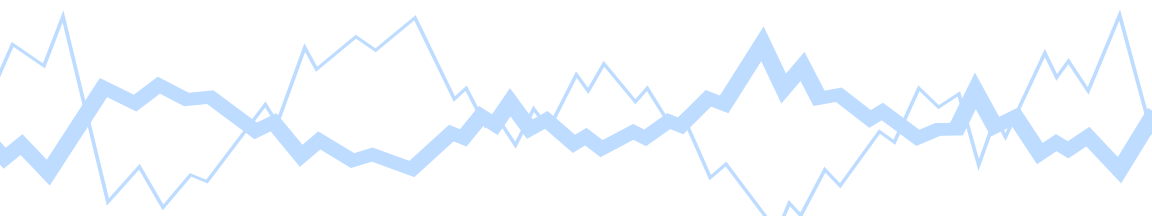
### AVC account fees and expenses

#### Administration Fee

OMERS will incur expenses associated with the start-up, operation and maintenance of AVC accounts. These expenses are in addition to expenses related to the administration of the defined benefit provision of the OMERS Plan and will be recovered by an annual flat fee. For 2012, the administration fee is \$23. The administration fee is based on cost recovery and is subject to review. The administration fee may change over time.

#### Investment Management Expenses

Contributions to an AVC account will receive the same net investment returns as the OMERS Fund. Net investment returns for a given year represent investment returns after accounting for the investment management expenses incurred for that same year. Investment management expenses can be expressed in dollar terms, and also as basis points which are deducted from the gross rate of return, in order to determine a net rate of return.



The chart below shows OMERS investment management expenses as basis points relative to the value of the Fund in the applicable year. A basis point equals 1/100 of one percentage point and the above calculation is based on an average value of Fund net assets.

As can be seen from the chart, investment management expenses can vary from year to year relative to the reported value of the OMERS Fund. Over the past few years, investment management expenses as a percentage of Fund net assets increased as OMERS developed and began to implement

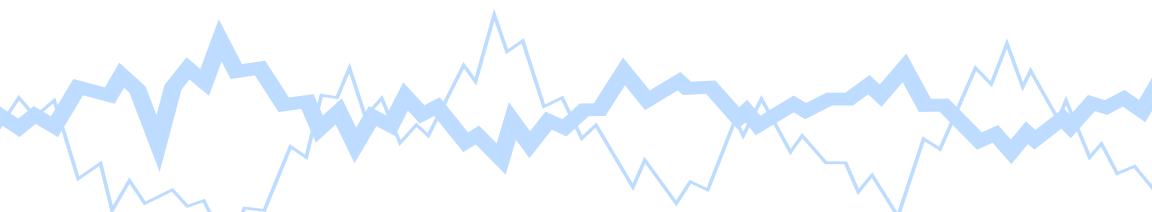
the strategic plan outlined in the OMERS 2010 Annual Report and as the value of the average Fund net assets declined due to the 2008 global financial crisis.

It is important for you to note that investment management expenses expressed as basis points cannot be set and communicated in advance to members who participate in the AVC provision, as the basis points are based on the actual expenses that are incurred and on the average value of the Fund in a given year.

### OMERS investment management expenses as basis points\* (bps) relative to the value of the Fund

2010	2009	2008	2007	2006
64 bps	55 bps	45 bps	40 bps	38 bps

\*A basis point equals 1/100<sup>th</sup> of one percentage point. For example, 55 basis points equals 0.55%.





# Part 3

## Withdrawal options

Funds in an AVC account can be fully withdrawn when you retire or leave your OMERS employer.

## DID YOU KNOW...

It may be possible to access funds from your AVC account under special circumstances, such as in cases of shortened life expectancy. Speak to a Client Services representative about these particular circumstances.



## YOUR OPTIONS WHEN WITHDRAWING FROM AN AVC ACCOUNT

Funds in an AVC account can be fully withdrawn when you retire or leave your OMERS employer (subject to any locking-in requirements). However, while you're an active member, withdrawals are limited to a maximum of 20% of the previous year-end balance, subject to a minimum of \$500. As well, withdrawals are permitted only from March 1 to April 30.

You can use funds in an AVC account to buy back any eligible service you may have in the OMERS Plan. As well, funds in an AVC account may be available under special circumstances, such as in cases of shortened life expectancy.

### At a glance:

#### AVC withdrawals while you're an active member of the OMERS Plan

<b>PARTIAL WITHDRAWAL</b>	Maximum 20% of the prior year-end AVC account balance subject to a minimum of \$500.
<b>FULL WITHDRAWAL</b>	If partial withdrawals are made in each of four consecutive years, the 20% limit does not apply in the fifth consecutive year. In the fifth year, you can withdraw up to your entire account balance (excluding current year contributions).
<b>WITHDRAWAL WINDOW</b>	March 1 to April 30
<b>NON-LOCKED-IN FUNDS IN AN AVC ACCOUNT</b>	Can be taken as cash, less withholding tax, or transferred tax-deferred to an RRSP, a registered retirement income fund (RRIF) or another registered pension plan.
<b>LOCKED-IN FUNDS IN AN AVC ACCOUNT</b>	Can be transferred only to a locked-in arrangement, such as a LIRA or a locked-in provision under a registered pension plan.

## Your AVC options at retirement or if you leave your OMERS employer

<p><b>OPTION 1:</b> <b>Withdraw all or some of the funds in your AVC account</b></p>	<ul style="list-style-type: none"><li>• You may withdraw all or some of the funds in your AVC account within the first six months after retirement, or upon leaving your OMERS employer if you keep your pension with OMERS.* After that, you can withdraw all or some of the funds during the March/April window.</li><li>• Non-locked-in funds in your AVC account may be withdrawn as cash, less withholding tax.</li><li>• Non-locked-in and locked-in funds in your AVC account may be transferred to another registered retirement savings vehicle, tax-deferred, or used to purchase an annuity.</li></ul>
<p><b>OPTION 2:</b> <b>Keep your AVC account (if you keep your pension with OMERS)</b></p>	<ul style="list-style-type: none"><li>• You can keep the funds in your AVC account until October of the year you turn 71.</li></ul>

\*If you leave your OMERS employer and transfer your defined benefit pension out of OMERS, you must withdraw the full balance of your AVC account.

AVCs earn the OMERS Fund rate of return, less investment expenses. The rate of return applied to an AVC account will generally be the annual rate of return of the OMERS Fund (less investment management expenses), except in cases of full withdrawal. In cases of full withdrawal, the five year average rate of return may be applied to an AVC account. For more details, please see the Terms of Participation attached to this guide.

## DID YOU KNOW...

Withdrawals from an AVC account to buy back service in the OMERS Plan can be made at any time of the year.



### When full withdrawal from an AVC account is mandatory

An AVC account cannot continue without an accompanying benefit under the defined benefit provision of the OMERS Plan. You must withdraw or transfer the full balance of your AVC account:

- if you terminate your membership in the defined benefit provision of the OMERS Plan and transfer out the commuted value of your pension
- if you must use the shortened life expectancy provision of the OMERS Plan
- by October of the year you turn 71.

### Backgrounder: What are non-locked-in and locked-in retirement vehicles?

	DESCRIPTION	FEATURES
<b>NON-LOCKED-IN</b>	Includes funds in RRSP accounts.	Funds can be withdrawn as cash or transferred to another registered retirement savings vehicle. Restrictions apply and cash withdrawals are subject to withholding tax.
<b>LOCKED-IN</b>	Includes a LIRA—funds in a locked-in retirement account are typically accumulated pension benefits from another plan.	Funds in a locked-in account typically cannot be accessed until age 55, and must be used to purchase a life annuity or transferred to a life income fund (LIF) or another LIRA.

### Worth noting about non-locked-in and locked-in funds:

1. Automatic contributions to an AVC account are non-locked-in. Subject to withdrawal-window restrictions, non-locked-in funds can be withdrawn from an AVC account as cash or transferred to another retirement savings vehicle. Amounts withdrawn as cash are subject to withholding tax.
2. Funds transferred from non-locked-in (e.g., RRSP) or locked-in (e.g., LIRA) registered retirement savings accounts do not change their form while in an AVC account. In other words, if the retirement savings are locked-in when the funds are transferred to an AVC account, they remain locked-in when the funds are transferred out.
3. Unless you tell us otherwise, non-locked-in funds in an AVC account are withdrawn or transferred first, followed by locked-in funds.

### AVCs upon a member's death

In the event of your death (before or after retirement), your surviving spouse is entitled to receive a refund of the balance of your AVC account, provided you were not living separate and apart on the date of your death and your surviving spouse did not waive his or her entitlement. If you do not have an eligible surviving spouse, your designated beneficiary would receive the refund. If you do not have a spouse or a beneficiary, the refund will be paid to your estate. For details concerning your AVC account in the event of death, including a description of surviving spouse, please consult the Terms of Participation attached to this guide.

The designated beneficiary on file with OMERS covers both the defined benefit and AVC provisions of the OMERS Plan. If you change your designated beneficiary on file with OMERS, the change will also apply to your AVC account.

# Case Study

Brent | Age 51 | Firefighter

## THE AVC OPTION AND SICK-LEAVE CREDITS

Brent is 51 and is approaching 30 years as a firefighter in Northern Ontario. In addition to his OMERS defined benefit pension, Brent has prepared for retirement by buying several investment properties and creating a small deck and fence-building business.

During his career as a firefighter, Brent has banked a large number of sick days and expects to collect about \$30,000 as a sick-leave gratuity when he retires. He is considering the option to invest that lump sum in an AVC account. When he retires next November, he plans to put his \$30,000 in an RRSP account with his bank, because he has contribution room, and then transfer the amount to his AVC account during the January 1 to April 30 window. Brent doesn't expect to need the funds for at least 10 years, and understands that he can access some or all of the funds in an AVC account during the first six months after retirement and during the annual March/April withdrawal window thereafter.

For Brent, the fact that the fees and expenses are offered on a cost-recovery basis is a key factor in his decision and well worth the trouble of setting up an RRSP account, then later transferring his money to an AVC account.

*What may be right for Brent may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*



# Part 4

## Build on your Plan

Your AVC account benefits from OMERS internationally diversified fund, its expertise, and its long-term strategy to generate the consistent returns needed to meet the pension promise.



## DID YOU KNOW...

For 2011, the combined maximum CPP and OAS retirement pensions are \$17,924 per year. For more information about government pensions, contact Service Canada at 1-800-277-9914 or visit [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca).

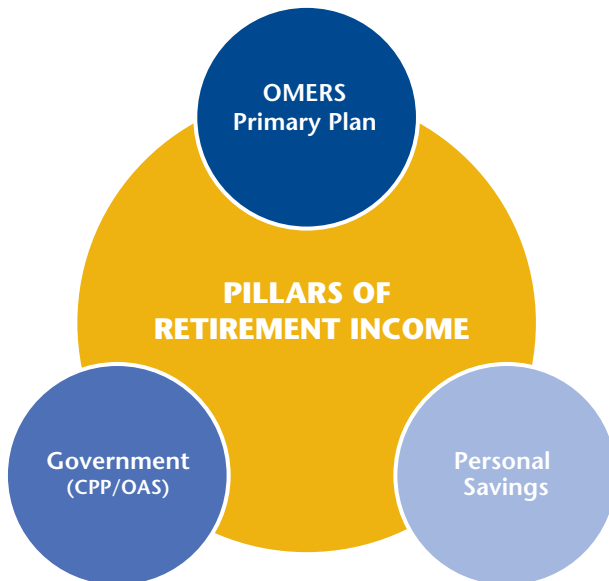


## THE THREE PILLARS OF RETIREMENT INCOME

You can think of retirement income as three separate but related pillars. The first is your OMERS pension—a defined benefit pension based on your average “best five” years of contributory earnings and your years of credited service in the OMERS Plan. Your pension is paid for life and is adjusted for inflation each year.

The second pillar is your government pensions: Canada Pension Plan (CPP) and Old Age Security (OAS). CPP can be started as early as age 60 and is designed to provide a maximum benefit that is roughly one quarter of the average industrial wage in Canada. OAS provides a modest pension to most Canadians 65 or older. The maximum annual CPP for 2011 is about \$11,520. The OAS benefit is about \$6,400.

The third pillar represents personal savings and assets. These may include RRSPs and other registered retirement savings plans, a TFSA and other investments that can provide additional income during retirement. An AVC account can be an important addition to your retirement savings.



AVC accounts are invested in the OMERS Fund. Your AVC account benefits from OMERS internationally diversified fund, its expertise, and its long-term strategy to generate the consistent returns needed to meet the pension promise. An AVC account is an option worth careful consideration, but it may not work well for every member.

You need to determine how much additional income you'll need and how likely you are to need these funds before retirement.

As with many other investments, such as mutual funds, there are no guarantees that AVCs will always generate positive returns. In fact, AVCs are likely to experience negative returns from time to time. The results from 2008 showed how a global economic crisis can affect personal investments. Institutional investors were not immune from the market downturn and, like other pension plans in Canada, OMERS experienced losses in 2008.

An important difference between an AVC account and your OMERS defined benefit pension is that you assume the investment risk with an AVC account as its value is based primarily on investment returns. By contrast, the value of your OMERS defined benefit pension is based on your contributory earnings and credited service.



**REMINDER** |

The Retirement Income Estimator, available through myOMERS, factors in AVCs when estimating retirement income.



# Case Study

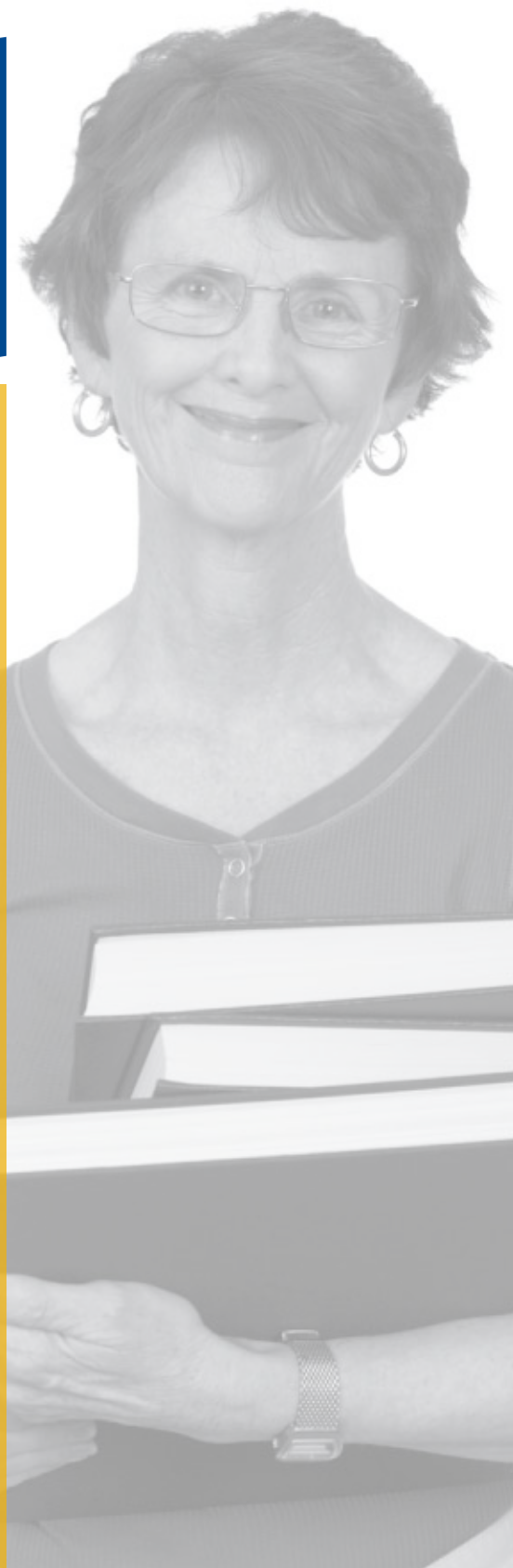
Mary | Age 57 | Librarian

## THE AVC OPTION WILL NOT FIT EVERYONE'S PLAN

Mary is very good at saving her money. The 57-year-old librarian from Windsor is a big baseball fan and knows that consistency at the plate wins games. Mary brings that same sensibility to her plan to save for retirement. She prefers to invest her RRSPs in fixed-income assets like GICs that yield lower but guaranteed returns.

Mary is not risk-averse when it comes to baseball—for instance she admires a well-executed squeeze play during a low-scoring game—but she doesn't like risk when it comes to her retirement savings. Mary considered the AVC option but she doesn't want to invest her additional retirement savings in something that may fluctuate in value, because she wants a steady income and is considering early retirement.

*What may be right for Mary may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*



# Part 5

## OMERS expertise and performance

OMERS Enterprise-Wide Strategic Plan calls for more active management, greater global diversification and pursuing opportunities to improve access to capital.



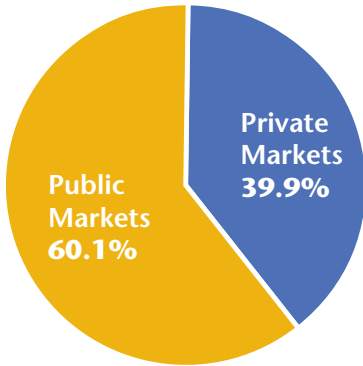
## DID YOU KNOW...

The investment strategy and performance calculations are explained at [www.omers.com](http://www.omers.com), in the *In Focus* brochure and in the 2010 Annual Report, *Focus: Today and Tomorrow*.

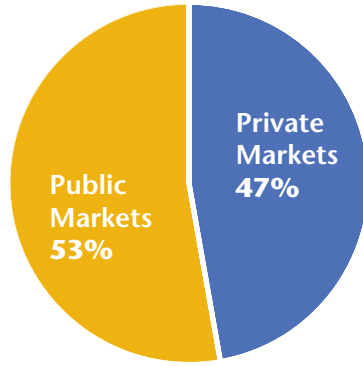
### ASSET MIX TO INCLUDE MORE PRIVATE MARKET INVESTMENTS

At the end of 2010, the OMERS Fund asset mix was 60.1% in public markets, including publicly traded stocks and bonds, and 39.9% in private markets, such as private equity, infrastructure and real estate. The current asset mix strategy is to reduce our exposure to public market investments to 53%, while increasing our private market holdings to 47% of net investment assets. This asset mix strategy is based on the belief that over the long term, an asset mix with greater exposure to private market investments is better positioned to generate strong, predictable returns and consistent cash flow with reduced risk.

**Asset mix** (as at December 31, 2010)



**Long-term asset mix targets**



## PERFORMANCE AND SOLID INVESTMENT STRATEGY

OMERS is one of the largest pension plans in Canada and a participant on the world investment scene. With AVCs you're investing in the OMERS Fund.

OMERS investment objective is to earn a long-term average rate of return consistent with a moderate level of risk by investing in a portfolio of public and private equities, infrastructure, real estate and a broad range of interest bearing instruments. Returns on investments will fluctuate with economic conditions in Canada and globally, individual company and industry performance, political and world events, changes in interest rates and other factors.

An AVC account will be attractive to members who do not want to make their own asset allocation decisions and are seeking satisfactory long-term growth with moderate volatility, through diversification of asset classes. Members should be aware that there are other savings and investment products in the market place with different risk-versus-return profiles (e.g., GICs, exchange-traded funds (ETFs) and mutual funds).

### OMERS Fund rate of return

	2010	5-YEAR*	7-YEAR*	10-YEAR*
Rate of return	12.01%	5.83%	8.11%	5.73%

\* Average annual rate of return

Although past performance is not an indicator of future results, if you look at a 10-year period:

- \$1,000 invested in the OMERS Fund on January 1, 2001, would have grown to \$1,746\*
- An investment of \$50 each month in the OMERS Fund starting on January 1, 2001 would have grown to \$8,674\*.

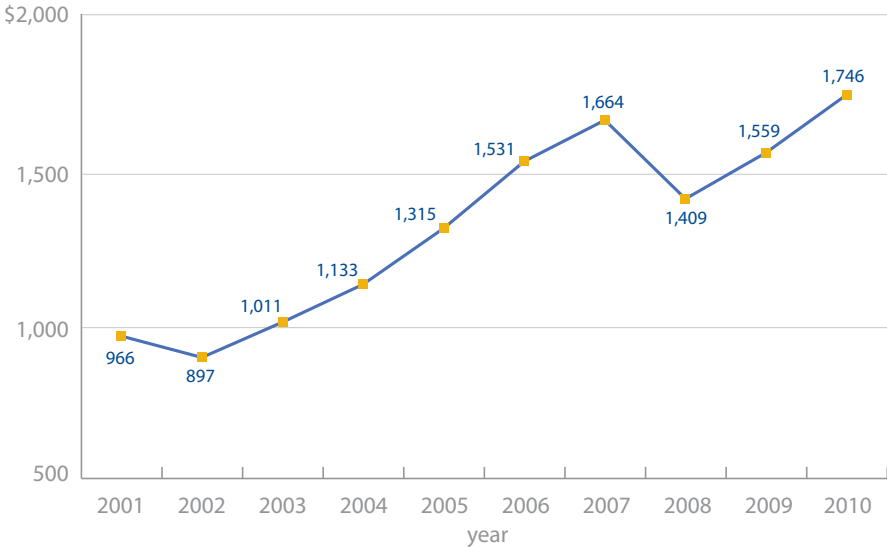
The results are based on investment returns before expenses and are shown in the Ten-Year Financial Review page of the OMERS 2010 Annual Report.

\*as at December 31, 2010

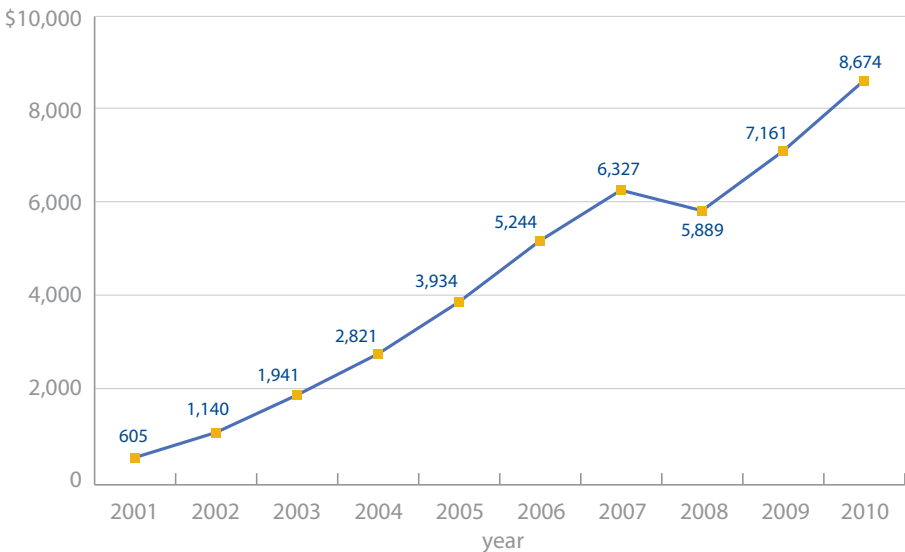
## DID YOU KNOW...

The OMERS Fund private equity assets include Golf Town, and also Give and Go Prepared Foods, which is a Toronto-based wholesale bakery producing Two-Bite Brownies. When you contribute to an AVC account, you're investing in the OMERS Fund.

### The value of \$1,000 invested in the OMERS Fund (10-year period, 2001–2010)



### The value of a \$50 monthly contribution invested in the OMERS Fund (10-year period, 2001–2010)



## ENTERPRISE-WIDE STRATEGIC PLAN

In addition to an asset mix policy that will see the percentage of OMERS private market holdings increase, the OMERS Enterprise-Wide Strategic Plan calls for more active management, greater global diversification and pursuing opportunities to improve access to capital.

### Enhance “direct drive” active management

The strategy is to enhance investment returns, reduce costs and better manage risks by implementing an enterprise-wide “direct drive” active management strategy that will increase the level of direct active management of investments. OMERS goal is to have 90% of the assets directly managed by 2012. OMERS had 85.6% of assets directly managed at the end of 2010, compared with about 80.8% at the end of 2009.

### Diversify assets

OMERS will further diversify its asset base globally, reducing exposure to the relatively small Canadian market and securing attractive risk-adjusted returns in areas experiencing sustainable economic growth. The strategy is to continue to look at global investments in private equity, infrastructure and real estate. In addition, OMERS has strengthened its capability to invest in public markets outside of Canada.

### Create a larger capital base

OMERS is developing strategies to organize long-term access to capital in order to acquire larger value investments that generally provide superior returns.

OMERS will offer investment products and investment management services through OMERS Investment Management Inc. to a wide range of eligible clients in and outside Canada, including public and private sector pension funds; governments and their agencies; colleges, universities and their endowments; and registered charities.

We are also working to access foreign capital through our proposed global strategic investment alliance which will seek to bring together large pools of capital from other large international funds to initiate, acquire and manage large-scale real estate and infrastructure assets.

## DID YOU KNOW...

OMERS provides information sessions to help you understand your pension and maximize your retirement savings. Visit [www.omers.com](http://www.omers.com) for a session in your area.

### Backgrounder: OMERS WORLDWIDE

OMERS is establishing its global footprint under the *OMERS Worldwide* brand to showcase the capabilities, accomplishments and talents of the investment entities that are specialists in public and private market investing.

**Asset Mix** (as at Dec. 31, 2010)

<b>PUBLIC MARKETS (60.1%)*</b>	
<p><b>PUBLIC MARKET INVESTMENTS</b> include Canadian and non-Canadian investments in bonds, other interest-bearing assets and publicly traded equities. These investments are often made in combination with a variety of derivative financial instruments. OMERS major public market investments include:</p> <ul style="list-style-type: none"><li>• Barrick Gold Corp</li><li>• Canadian Natural Resources</li><li>• Royal Bank of Canada</li><li>• Suncor Energy Inc.</li><li>• The Toronto-Dominion Bank</li></ul>	<b>60.1%*</b>
<b>PRIVATE MARKETS (39.9%)*</b>	
<p><b>PRIVATE EQUITY</b> involves establishing meaningful partnerships directly with private companies, or indirectly through private equity funds. For active direct investments, we look to invest in private companies that are well managed and in need of capital investment and strategic support to grow their businesses. OMERS major private equity holdings include:</p> <ul style="list-style-type: none"><li>• Cengage Learning</li><li>• Constellation Software Inc.</li><li>• Cookie Jar Group of Companies</li><li>• Give and Go Prepared Foods Corp.</li><li>• Golf Town</li></ul>	<b>12.7%*</b>
<p><b>INFRASTRUCTURE</b> generally involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both. Individual investments generally require capital commitments for a minimum of 15 to 20 years and typically generate consistent annual cash flows – a perfect fit for meeting long-term pension obligations. OMERS major infrastructure holdings include:</p> <ul style="list-style-type: none"><li>• Associated British Ports</li><li>• Bruce Power</li><li>• LifeLabs</li><li>• Scotia Gas Networks</li></ul>	<b>15.5%*</b>
<p><b>REAL ESTATE</b> investments are managed through the OMERS owned Oxford Properties Group, which is one of North America's largest commercial real estate investment and property management firms. Oxford oversees and manages about \$17 billion of real estate for itself and on behalf of its co-owners and investment partners. OMERS major real estate global holdings include:</p> <ul style="list-style-type: none"><li>• Centennial Place, Calgary</li><li>• TD Canada Trust Tower, Toronto</li><li>• Watermark Place, London U.K.</li><li>• Yorkdale Shopping Centre, Toronto</li></ul>	<b>11.7%*</b>

\* Percentage of net investment assets

# Case Study

Neilson | Age 58 | Accountant

## AVCS ARE INVESTED WITH OMERS EXPERTISE

Neilson wonders whether he'll need retirement income in addition to his OMERS and government pensions. He's not alone. The amount Neilson will need will depend on his family commitments, his health and lifestyle. As well, he knows that people are living longer and Neilson's lifespan will also determine how long his additional retirement income needs to last.

Neilson has worked for an Ottawa-area school board as an accountant for 26 years. He and his partner are taking a serious look at their retirement savings needs and Neilson, who'll be 59 next spring, is considering the AVC option primarily because he has always had confidence in the OMERS Fund investment strategy. He read the latest annual report and noted with interest OMERS asset mix policy to move more assets to private market investments. Over the long term "...an asset mix with greater exposure to private market investments is better positioned to generate strong, predictable returns and consistent cash flow with reduced risk to meet the Plan's funding requirements."\* As Neilson sees it, with an AVC account he stands to benefit from this strategy.

\*OMERS 2010 Annual Report, *Focus: Today and Tomorrow*, page 23.

*What may be right for Neilson may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*



# RISKS

## EXPLAINED

OUR COMMITMENT TO TRANSPARENCY

Prior to registering for AVCs and making a contribution or lump-sum transfer to an AVC account, members should evaluate their financial goals and objectives and consider the potential risks of investing in the OMERS Fund through an AVC account. Members should also consider discussing risks with an appropriately qualified financial adviser. These include:

### **Investment (Return Variability) Risk**

Funds that you contribute to or transfer to an AVC account will experience the same variability of returns as the OMERS Fund. OMERS invests in a combination of public and private equities, infrastructure, real estate and a broad range of interest bearing instruments all of which are subject to market and credit risk. While OMERS investment strategy diversifies the investment portfolio, the Fund is exposed to various risks that may negatively impact the value of the Fund and your AVC account over time. Such risks are monitored and managed through OMERS Enterprise Risk Management (ERM) Program and risk management processes as described in the OMERS 2010 Annual Report. The ERM Program is a framework through

which OMERS identifies, measures, assesses and manages investment (e.g., market risk), operational (e.g., key person risk), legal and compliance (e.g., regulatory risk) and strategic (e.g., funding risk) risks.

Members should ensure that the variability of returns on AVCs, which would be suitable for those willing to accept a moderate risk level, is commensurate with their financial goals and objectives.

### **Member Risk**

If you choose to make contributions or lump-sum transfers to an AVC account, you should be aware of the limitations on the timing of withdrawals and the amounts that may be withdrawn from your account. These limitations reduce the liquidity of your investment and should be considered for investment planning purposes.

Fees and expenses are based on cost-recovery. The administration fee is reviewed on a periodic basis and may change over time. Investment management expenses may vary from year to year.

# Part 6

## Are AVCs right for you?

The material in this guide and at [www.omers.com](http://www.omers.com) is aimed at helping you make an informed decision about contributing to an AVC account.



## REMINDER

The member profiles in this guide are loosely based on frequently asked questions by members and are intended to illustrate the features of an AVC account.

## TOOLS TO HELP YOU DECIDE

At OMERS, we believe AVCs offer an attractive option to build additional retirement savings. However, what we believe is not as important as what you decide is best for you. The AVC option is voluntary and may not be right for everyone's retirement savings plan or life stage. The material in this guide and at [www.omers.com](http://www.omers.com) is aimed at helping you make an informed decision about contributing to an AVC account.

The Retirement Income Estimator is available on the myOMERS website to help you decide if the AVC option is right for your situation. If you haven't already done so, register for myOMERS online service by visiting [www.omers.com](http://www.omers.com). Registering is quick and easy:

- You'll need your OMERS membership number (printed on your membership record, your annual Pension Report or other personal documents from OMERS) and
- The last three digits of your social insurance number.

Even if the AVC option is not right for your plans, registering for myOMERS will still give you the benefit of secure online access to your OMERS service, earnings and pension information.



### DID YOU KNOW...

Three OMERS members tell their AVC story online at [www.omers.com](http://www.omers.com).



## Self-assessment quiz

The following questions will assess your understanding of the features of this retirement savings opportunity and help you gauge if contributing to an AVC account is right for you.

1. With respect to your personal investment goal(s) and your tolerance for investment risk, which of the following is most true?
  - a. It is fundamental that my original investment be 100% safe from loss. I am willing to accept a relatively low return to ensure the guarantee of my principal.
  - b. It is fundamental that the value of my investment grows faster than I can earn with guaranteed investments. I am willing to accept a relatively moderate level of risk, which may result in a negative investment return from time to time.
  - c. It is fundamental that I maximize the value of my investments over the long term. I am willing to accept a higher level of risk, which will likely result in negative returns from time to time, so that the value of my investments grow.



**TIP** |

If you selected answer “A” an AVC account is not right for you.

2. Although the OMERS Fund has performed well in the past, I am aware that past performance does not determine future returns.
  - a. Yes
  - b. No
3. I am aware that I’m investing in the OMERS Fund through my AVC account and by doing so I’m gaining access to private market investments (e.g., private equity, infrastructure and real estate assets) that are not widely available to retail investors.
  - a. Yes
  - b. No
4. I am aware of OMERS current asset mix policy of reducing public market investments to a targeted 53%, and increasing private market investments to 47%.
  - a. Yes
  - b. No

## DID YOU KNOW...

You can register for an AVC account online, by phone or by mail.



5. I am aware of OMERS strategy to organize long-term access to capital that will enable it to acquire larger value investments.
  - a. Yes
  - b. No
6. I am aware of OMERS strategy to bring even more of its investment management in-house.
  - a. Yes
  - b. No



**TIP** | If you answered “No” to any of questions 2 through 6, you may want to reread Part 5 of this guide, “OMERS expertise and performance.”

7. I am aware that while I’m working for an OMERS employer, I can withdraw a maximum of 20% of the prior year-end AVC account balance subject to a minimum of \$500, and those withdrawals must occur during the March/April window.
  - a. Yes
  - b. No
8. I am aware that when I retire or leave my OMERS employer, I can withdraw all or some of the funds in my AVC account at any time within the first six months. After that, I can withdraw all or some of the funds during the March/April window.
  - a. Yes
  - b. No
9. I am aware that my automatic contributions to an AVC account are subject to limits under the *Income Tax Act*.
  - a. Yes
  - b. No
10. I am aware that AVC investment expenses and administration fee are charged on a cost-recovery basis and may vary from year to year. For 2012, the administration fee is \$23.
  - a. Yes
  - b. No

11. I understand that the investment component of the AVC fee is a percentage amount deducted from the rate of return and it's calculated each year based on actual expenses that are incurred and the average value of the OMERS Fund. The percentages for the past five years investment management expenses have ranged from just under 0.4% to just over 0.6%.
- a. Yes      b. No
12. I am aware I have the opportunity to transfer RRSPs or LIRAs to my AVC account during the period of January 1 to April 30.
- a. Yes      b. No
13. I understand the AVC option is provided exclusively to members of OMERS.
- a. Yes      b. No
14. I realize there are several convenient ways to contribute to an AVC account: online (through myOMERS), by phone or by mail.
- a. Yes      b. No



**TIP** | If you answered “No” to any of questions 7 through 14, you may wish to reread “Contribution options,” and “Withdrawal options” (parts 2 and 3) of this guide.

## Other resources

You should consider seeking the counsel of a financial adviser that you can trust. If you don't have a financial adviser, you can search for one by visiting the not-for-profit Financial Planning Standards Council, [www.fpsc.ca](http://www.fpsc.ca). This organization develops, promotes and enforces the standards for professional financial planners and is not affiliated in any way with OMERS. They provide CFP (Certified Financial Planning) certification, so you know the person advising you has passed a series of exams and has a technical understanding of topics such as personal tax planning, insurance, investments, retirement planning and estate planning. The FPSC website is a good general resource, and lets you search for a financial planner in your area, provides information such as whether the planner charges a fee or works on commission and offers tips on choosing a financial adviser, including questions to ask when interviewing a potential adviser.

# Case Study

Allan | Age 61 | Retired

## THE AVC OPTION MAY ALSO FIT YOUR PLANS IN RETIREMENT

After a career as a municipal building inspector, Allan retired a few years ago and began his second career as the proud owner/operator of a bed and breakfast near Kingston. The 61-year-old enjoys offering his brand of Eastern Ontario hospitality, which includes his wife Lisa's amazing home cooking.

Their business income and their CPP pensions, plus Allan's OMERS pension is more than enough to meet their income needs. They don't expect to need their RRSP funds for another seven years. Allan is considering transferring a portion of his RRSPs to an AVC account, in part because of OMERS investment strategy. His RRSP account is held primarily through his financial adviser, who is also a long-time friend.

Allan can transfer some or all of his RRSPs to an AVC account any time during the transfer window, from January 1 to April 30. He can begin the transfer through myOMERS by downloading and printing the forms for the other financial institution, or by calling OMERS Client Services. The difficult part for Allan will be telling his financial adviser that he wants to transfer some funds from his RRSP account.

*What may be right for Allan may not be right for you, so carefully consider how the AVC option may fit your plan to save for retirement.*



# Part 7

## Getting started

If you wish to begin contributing to an AVC account, you can choose from one of three ways.



## DID YOU KNOW...

AVCs are offered on a cost-recovery basis, which means no profit margin is built into the calculation of the fees and expenses.



## GETTING STARTED WITH AVCs

### Arrange your AVC account online, by mail or by phone

If you wish to begin contributing to an AVC account, you have three methods you can choose. Your first option is online through myOMERS. If you're not already registered for myOMERS, you'll need to do this before you can contribute to an AVC account. Registering for myOMERS is easy and fast. myOMERS is a state-of-the-art online member pension system that gives you safe and secure access to view your OMERS information and reports and the capability to directly edit your profile and other information. You'll also gain access to the Retirement Income Estimator and the Buy-Back Calculator, so regardless of whether you want to start an AVC account, myOMERS makes sense.

Your second option is by mail. You can contribute to an AVC account by completing the AVC registration form, available on the OMERS website or by contacting an OMERS Client Services representative.

Your third option is by phone with the help of an OMERS Client Services representative. The representative will ask you questions to confirm your identity, then help you set up automatic contributions or begin the process of transferring funds from a registered retirement savings vehicle.

If you're an active member you can contribute biweekly or monthly and you can start the automatic contributions at any time, or you can transfer funds from registered retirement vehicles during the transfer window from January 1 to April 30. If you're a retired member or a member with a deferred pension, the option to transfer your registered retirement funds is available to you.

If you're transferring funds, you'll need the T2033 form from myOMERS, or [www.omers.com](http://www.omers.com), or by calling Client Services, and provide it to the transferring financial institution.



## FREQUENTLY ASKED QUESTIONS .....

### Do I need available RRSP room to contribute to an AVC account?

You do not need RRSP room to contribute to an AVC account. However in the following year, your automatic contributions to an AVC account will reduce how much you can contribute to an RRSP.

### How much will an AVC account cost me?

The fees and expenses of an AVC account are calculated on a cost-recovery basis and consist of investment and administrative components.

EXAMPLE	INVESTMENT COSTS	+	ADMINISTRATION COSTS	=	EXPENSES
<b>AVC account</b> with a year-end balance of \$3,000 and an investment management expense of 0.6%*	\$18 (0.6% x \$3,000)		In 2012, the administration fee is \$23		<b>\$41</b>

\*For this illustrative example, we have assumed an investment management expense of 0.6%. The percentage for the past five years has ranged from just under 0.4% to just over 0.6%.

### Will my money in an AVC account grow tax-deferred?

Yes. Since AVCs are part of the OMERS Fund (which is a tax-exempt registered pension plan) your AVC account balance is allowed to grow tax-deferred. As well, automatic contributions to an AVC account are tax-deductible in the year they are made (but not lump-sum transfers).

### How will the OMERS Pension Plan funding shortfall affect AVC accounts?

The unfunded liability or shortfall in the OMERS Fund does not affect AVC accounts. The existing unfunded liability is related to the defined benefit component of the OMERS Plan.

## REMINDER

OMERS Client Services is available to help you. Contact a representative at 416-369-2444, or toll-free at 1-800-387-0813.



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### If I start my automatic contributions halfway through the year, can I double my regular payment amount to catch up to the annual maximum allowable for my salary range?

No. You can't write a cheque for your total annual contribution or make up missed payments. Catch-up payments to an AVC account can be made through a lump-sum transfer from a registered retirement vehicle, such as an RRSP. OMERS does not impose a minimum or maximum amount that can be transferred to an AVC account.

### Can I transfer my TFSA and other savings into an AVC account?

No. The tax-free savings account (TFSA) and other non-registered retirement savings cannot be transferred to an AVC account.

### What is the management expense ratio (MER)?

The MER is the fee that an investment fund company charges you, the investor, to manage a fund. We refer to this fee as an investment management expense. The MER for a mutual fund includes costs associated with managing investments, marketing and the compensation paid to the salesperson. There are no marketing expenses or sales commissions associated with an AVC account. The AVC program was created on a cost-recovery basis, so there is no profit margin built into the calculation of the fees and expenses.

EXAMPLE	ANNUAL RETURN	INVESTMENT COSTS (MER)	NET ANNUAL RETURN
<b>AVC account</b>	12.01% <sup>1</sup>	- 0.64% <sup>2</sup>	<b>11.37%</b>

<sup>1</sup> OMERS Fund annual rate of return for 2010.

<sup>2</sup> For this illustrative example, we have assumed an investment management expense of 0.6%. The percentage for the past five years has ranged from just under 0.4% to just over 0.6%.

## TERMS OF PARTICIPATION .....

### Introduction

Effective January 1, 2011, the OMERS Primary Pension Plan (“Primary Plan”) was amended to add an additional voluntary contribution provision (i.e., the “AVC Provision” as defined herein).

This document outlines the rules for the AVC Provision and is intended to provide you with a descriptive summary of its terms. You, and where applicable your spouse, are strongly encouraged to read this document carefully to ensure that you understand your benefits and responsibilities under the AVC Provision.

Please note that this document is for your guidance only and is not intended to provide advice. The legal documents which implement the AVC Provision contain many carefully drafted terms with precise meanings. If any statement made in this document is inconsistent with a provision of the legal documents as amended from time to time which implement the AVC Provision, the legal documents which implement the AVC Provision must be followed and will prevail in all cases.

### Definitions

The following definitions of words and phrases are for the purposes of this document, and the words and phrases used herein may vary slightly from the terminology used in other documents.

**“Active Member”** means a member of the Primary Plan who is:

- making contributions to the Fund under the Defined Benefit Provision;
- accruing credited service while on disability waiver under the Defined Benefit Provision;
- not making contributions to the Fund under the Defined Benefit Provision because he or she has accrued 35 years of Credited Service; or
- not making contributions to the Fund during an Authorized Leave of Absence.

**“Additional Voluntary Contributions (AVCs)”** means optional contributions made, subject to and in accordance with the AVC Provision, on a money purchase basis to the Primary Plan by an Active Member, a Retired Member or a Deferred Member.

**“Annual Financial Statements”** means the audited consolidated financial statements of OMERS, including the notes to such financial statements.

**“Annual Rate of Return”** has the meaning ascribed thereto in the Rate of Return section.

**“Authorized Leave of Absence”** means:

- a leave of absence that is authorized by an Active Member’s employer;
- a leave of absence that an Active Member’s employer determines is caused by the Active Member being wholly prevented by mental or physical incapacity from performing the regular duties of the Active Member’s occupation; or
- an absence due to a strike or lockout as defined in the *Labour Relations Act* (Ontario).

**“AVC Account”** means the account established in the Fund for a Member who decides to contribute to the AVC Provision, into which such Member’s Additional Voluntary Contributions are made.

**“AVC Account Balance”** means the aggregate of all Additional Voluntary Contributions made by a Member to his or her AVC Account, credited with the rate of return (positive or negative), less fees and expenses and any withdrawals, refunds or transfers out.

**“AVC Provision”** means those provisions of the Primary Plan which provide for the option of Additional Voluntary Contributions.



**“Credited Service”** means the number of years and months of paid service a Member has in the Primary Plan.

**“Defined Benefit Provision”** means those provisions of the Primary Plan pursuant to which members of the Primary Plan accrue a defined benefit pension.

**“Designated Beneficiary”** means the person designated by the Member as the Member’s beneficiary under the Defined Benefit Provision.

**“Deferred Member”** means a member of the Primary Plan who is entitled to a deferred pension under the Defined Benefit Provision.

**“Dual Member”** means an Active Member who is or has been employed by more than one employer that participates in the Primary Plan in overlapping periods.

**“Family Law Valuation Date”** has the meaning ascribed thereto in the PBA.

**“Five Year Average Rate of Return”** has the meaning ascribed thereto in the Rate of Return section.

**“Fund”** means the pension fund for the Primary Plan.

**“ITA”** means the *Income Tax Act* (Canada) and the regulations thereto, both as amended from time to time.

**“Locked-In”** means an amount that is transferred from another registered pension plan or locked-in retirement account which must be administered as a pension or deferred pension under the PBA.

**“Member”** means an Active Member, a Deferred Member or a Retired Member.

**“OMERS”** means the OMERS Administration Corporation.

**“OMERS Board of Directors”** means the OMERS Administration Corporation Board of Directors.

**“PBA”** means the *Pension Benefits Act* (Ontario), as amended from time to time.

**“Primary Plan”** has the meaning ascribed thereto in the Introduction.

**“Rate Determination Date”** has the meaning ascribed thereto in the Rate of Return section.

**“Retired Member”** means a member of the Primary Plan who is in receipt of a pension under the Defined Benefit Provision.

**“Spouse”** means either of two persons who,

- a. are married to each other, or
- b. are not married to each other and are living together in a conjugal relationship,
  - i. continuously for a period of not less than three years, or
  - ii. in a relationship of some permanence, if they are the natural or adoptive parents of a child, both as defined in the *Family Law Act* (Ontario).

**“Surviving Spouse”** means the person who was the Spouse of a Member immediately before the Member’s death.

**“Transfer-In Window”** means the period from January 1<sup>st</sup> to April 30<sup>th</sup> during each calendar year.

**“Withdrawal Window”** means the period from March 1<sup>st</sup> to April 30<sup>th</sup> during each calendar year.

## Eligibility

1. There are two types of contributions that may be made under the AVC Provision:
  - a. periodic contributions<sup>1</sup>; and
  - b. lump sum transfers<sup>2</sup>.
2. An Active Member may make both periodic contributions and lump sum transfers to his or her AVC Account.
3. A Retired Member or a Deferred Member may only make lump sum transfers to his or her AVC Account.

- 
- Employers are not permitted to make contributions under the AVC Provision.

<sup>1</sup> Please note that “periodic contributions” are referred to as “automatic contributions” in the Consider the AVC Option guide.

<sup>2</sup> Please note that “lump sum transfers” are referred to as “lump sum fund transfers” in the Consider the AVC Option guide.

## Contributions: Periodic Contributions

- Periodic contributions to an AVC Account may only be made by Active Members.
- Periodic contributions to an AVC Account must be made on a biweekly or monthly basis through pre-authorized debit payments from an Active Member’s bank account. Periodic contributions cannot be made by cash/cheque or on a lump sum basis.
- The minimum amount an Active Member may contribute as a periodic contribution is \$20 biweekly or \$40 monthly.
- In general, the maximum amount that a member can contribute to a registered pension plan is subject to the limits set out in the ITA. In order to adhere to these limits, OMERS will establish contribution thresholds on an annual basis based on the amount of an Active Member’s annual contributory earnings and credited service, and the applicable tax rules. The maximum amount an Active Member may contribute as a periodic contribution to his or her AVC Account each contribution period (i.e., biweekly or monthly) is subject to these thresholds.
- An Active Member may start, stop or change (i.e., increase or decrease) periodic contributions to his or her

AVC Account at any time during the calendar year.

- Pre-paid or catch-up periodic contributions to an AVC Account are not permitted.
- Periodic contributions to an AVC Account will be immediately discontinued by OMERS:
  - upon notice of an Active Member’s termination of employment or death;
  - if OMERS determines that further periodic contributions would exceed the applicable ITA contribution limits due to the incidence of an over-contribution refund for the prior year participation;
  - at the end of the calendar year in which the Active Member turns age 70; or
  - upon two consecutive failed automatic pre-authorized debit transactions.
- Any periodic contributions by an Active Member that are determined by OMERS to be in excess of the amount permitted under the ITA will be refunded to the Active Member. Any such amounts will be subject to applicable withholding taxes.
- Periodic contributions to an AVC Account are administered as non-Locked-In amounts.

## Contributions: Lump Sum Transfers

- Lump sum transfers to an AVC Account may be made by Active Members, Retired Members and Deferred Members.
- An Active Member, Retired Member or Deferred Member may make a lump sum transfer to his or her AVC Account from another registered pension



plan, registered retirement savings plan, deferred profit sharing plan or a locked-in retirement account.

3. There is no minimum or maximum amount imposed by OMERS that can be transferred by a Member to an AVC Account as a lump sum transfer.
4. Lump sum transfers to an AVC Account can only be made during the Transfer-In Window.
5. Notwithstanding the rule in paragraph 4 above, lump sum transfers by an Active Member from the Defined Benefit Provision to an AVC Account may take place outside of the Transfer-In Window.
6. Lump sum transfers to an AVC Account will not be accepted:
  - a. upon notice of an Active Member's termination of employment (an Active Member who subsequently becomes a Deferred Member or a Retired Member may make lump sum transfers to his or her AVC Account);
  - b. upon notice of death of a Member; or
  - c. after the year in which a Member turns age 70.
7. Lump sum transfers to an AVC Account from another registered pension plan or a locked-in retirement account will be administered as Locked-In amounts. OMERS will not accept a lump sum transfer to an AVC Account if the funds must be administered as Locked-In amounts under pension legislation other than the PBA.
8. Locked-In amounts will be tracked separately from non-Locked-In amounts.

## Optional Withdrawals (Active Members)

1. An Active Member may withdraw funds

from his or her AVC Account during the Withdrawal Window subject to the minimum and maximum amounts set out below.

2. The minimum amount an Active Member may withdraw from his or her AVC Account in a given calendar year is \$500.
3. Notwithstanding the rule in paragraph 2 above, where the balance in an Active Member's AVC Account as at December 31<sup>st</sup> of the prior year is less than \$500, the minimum amount an Active Member may withdraw is the balance in his or her AVC Account as at December 31<sup>st</sup> of the prior year.
4. Subject to the minimum amount in paragraphs 2 and 3 above, the maximum amount an Active Member may withdraw from his or her AVC Account in a given calendar year is 20% of his or her AVC Account Balance calculated as at December 31<sup>st</sup> of the prior year.
5. Notwithstanding the rule in paragraph 4 above, an Active Member may withdraw 100% of his or her AVC Account Balance if the Active Member has continuously withdrawn funds from his or her AVC Account during each of the four previous Withdrawal Windows.
6. Notwithstanding the rules in paragraphs 2, 3, 4 and 5 above, an Active Member cannot withdraw an amount associated with a periodic contribution or lump sum transfer from his or her AVC Account until the calendar year after the year in which the periodic contribution or lump sum transfer, as applicable, was made.
7. For an Active Member with Locked-In and non-Locked-In amounts in his or her AVC Account, non-Locked-In amounts will be withdrawn first, unless otherwise specified by the Active Member.

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8. Non-Locked-In amounts in an AVC Account may be withdrawn as cash (less applicable withholding tax) or transferred to another registered pension plan (subject to consent by the other plan administrator), registered retirement savings plan, registered retirement income fund or used to purchase an annuity.
  9. Locked-In amounts in an AVC Account cannot be withdrawn as cash. Locked-In amounts in an AVC Account must be transferred to another registered pension plan (subject to consent by the other plan administrator), locked-in retirement account, life income fund or used to purchase an annuity.
  10. Notwithstanding the rule in paragraph 9 above, Locked-In amounts in an AVC Account may be withdrawn as cash in limited circumstances (e.g., shortened life expectancy). Please contact OMERS for further details.
  11. Notwithstanding the rules in paragraphs 1 to 10 above, an Active Member may withdraw funds from his or her AVC Account to purchase service under the Defined Benefit Provision outside of the Withdrawal Window. In these circumstances, for an Active Member with Locked-In and non-Locked-In amounts, Locked-In amounts will be withdrawn first, unless otherwise specified by the Active Member.
  12. Notwithstanding the rules in paragraphs 1, 4, 5 and 6 above, an Active Member may withdraw 50% of his or her AVC Account Balance, determined as of the Family Law Valuation Date, at any time during a given calendar year for the purposes of equalization of net family property under the *Family Law Act* (Ontario).

## Optional Withdrawals (Deferred Members and Retired Members)

1. A Deferred Member or a Retired Member may withdraw funds from his or her AVC Account during the Withdrawal Window subject to the minimum and maximum amounts set out below.
2. The minimum amount a Deferred Member or a Retired Member may withdraw from his or her AVC Account in a given calendar year is \$500.
3. Notwithstanding the rule in paragraph 2 above, where the balance in a Deferred Member or a Retired Member's AVC Account as at December 31<sup>st</sup> of the prior year is less than \$500, the minimum amount a Deferred Member or a Retired Member may withdraw is the balance in his or her AVC Account as at December 31<sup>st</sup> of the prior year.
4. The maximum amount a Deferred Member or a Retired Member may withdraw from his or her AVC Account in a given calendar year is 100% of his or her AVC Account Balance.
5. Notwithstanding the rules in paragraphs 2, 3 and 4 above, a Deferred Member or a Retired Member cannot withdraw an amount associated with a periodic contribution or lump sum transfer from his or her AVC Account until the calendar year after the year in which the periodic contribution or lump sum transfer, as applicable, was made.
6. For a Deferred Member or a Retired Member with Locked-In and non-Locked-In amounts in his or her AVC Account, non-Locked-In amounts will be withdrawn first, unless otherwise specified by the Deferred Member or Retired Member.



7. Non-Locked-In amounts in an AVC Account may be withdrawn as cash (less applicable withholding tax) or transferred to another registered pension plan (subject to consent by the other plan administrator), registered retirement savings plan, registered retirement income fund or used to purchase an annuity.
8. Locked-In amounts in an AVC Account cannot be withdrawn as cash. Locked-In amounts in an AVC Account must be transferred to another registered pension plan (subject to consent by the other plan administrator), locked-in retirement account, life income fund or used to purchase an annuity.
9. Notwithstanding the rule in paragraph 8 above, Locked-In amounts in an AVC Account may be withdrawn as cash in limited circumstances (e.g., shortened life expectancy). Please contact OMERS for further details.
10. Notwithstanding the rules in paragraphs 1, 4 and 5 above, a Deferred Member or a Retired Member may withdraw 50% of his or her AVC Account Balance, determined as of the Family Law Valuation Date, at any time during a given calendar year for the purposes of equalization of net family property under the *Family Law Act* (Ontario).

## Optional Withdrawals (Special Rules upon Termination of Employment)

1. Notwithstanding the Withdrawal Window, an Active Member who ceases to be employed by an employer that participates in the Primary Plan has a period of six months to elect to withdraw all or a portion of his or her AVC Account Balance. Following the expiry of the six month period, the individual in question (now a Deferred Member or Retired Member) may make withdrawals from his or her AVC Account in accordance with the optional withdrawal rules for Deferred Members and Retired Members.
2. Notwithstanding the Withdrawal Window, a Dual Member who ceases to be employed by an employer that participates in the Primary Plan, but continues to be employed by another employer that participates in the Primary Plan, has a period of six months to elect to withdraw all or a portion of his or her AVC Account Balance. Following the expiry of the six month period, the individual in question (who continues to be an Active Member) may make withdrawals from his or her AVC Account in accordance with the optional withdrawal rules for Active Members.

## Mandatory Withdrawals

1. A Member must withdraw his or her entire AVC Account Balance under the following circumstances:
  - a. if, in accordance with the Defined Benefit Provision, the Member elects to receive a small amount payable in a lump sum, a refund of contributions or a lump sum payment upon shortened life expectancy; or
  - b. the member elects to transfer his or her entitlement under the Defined Benefit Provision out of the Primary Plan.
2. A Member must withdraw his or her entire AVC Account Balance by October 31<sup>st</sup> during the year in which he or she will attain 71 years of age.
3. If a Member does not select an insurer for the purchase of an annuity or elect to transfer to a registered pension plan, registered retirement savings plan, registered retirement income fund, a locked-in retirement account or a

life income fund, as applicable, prior to October 31<sup>st</sup> of the year in which he or she attains 71 years of age, the Member shall be deemed to have elected the purchase of an annuity from an insurer, in which case OMERS may select an insurer and purchase an annuity in accordance with the terms of the Primary Plan.

## Death Benefits

1. Upon the death of a Member, the Member's AVC Account Balance will be refunded to the Member's:
  - a. Surviving Spouse, if the member and the Surviving Spouse were not living separate and apart on the date of the Member's death;
  - b. Designated Beneficiary, if there is no Surviving Spouse entitled to a refund; or
  - c. estate, if there is no Surviving Spouse entitled to a refund and no Designated Beneficiary.
2. A Surviving Spouse who is entitled to a refund under paragraph 1 above may elect, instead of a refund, to transfer an amount equal to the Member's AVC Account Balance to an insurer for the purchase of an annuity in accordance with the terms of the Primary Plan.
3. To the extent permitted under the PBA, a Member's Spouse may relinquish entitlement to death benefits payable under paragraph 1 above by completing a valid waiver and filing such waiver with OMERS. In such a case, any death benefits payable under paragraph 1 above are payable as if the Member had no Surviving Spouse.

## Rate of Return

1. The "Annual Rate of Return" means the rate of return for the Primary Plan, before the deduction of investment management expenses, that is

published in the Annual Financial Statements for a given calendar year. The Annual Financial Statements are usually approved, and the Annual Rate of Return is publicly disclosed, around March 1<sup>st</sup> of the calendar year following the given calendar year.

2. The Annual Rate of Return (positive or negative) will be applied to a Member's AVC Account in respect of a given calendar year, as described in paragraph 5 below, except on a withdrawal described in paragraph 4 below.
3. The "Rate Determination Date" means the date that the Annual Rate of Return is established for a given calendar year. The Rate Determination Date occurs during the calendar year following the given calendar year, on the day after the Annual Financial Statements for the given calendar year have been approved by the OMERS Board of Directors.
4. The "Five Year Average Rate of Return" means the compound average of the Annual Rate of Return for each of the five calendar years before a given calendar year. The Five Year Average Rate of Return will only be applied to a Member's AVC Account, as described in paragraph 5 below, at the time a Member's entire AVC Account Balance is withdrawn:
  - a. if all applicable withdrawal documentation is received by OMERS before the Rate Determination Date and the withdrawal occurs during the same calendar year, the Five Year Average Rate of Return will be applied to the Member's AVC Account for both the calendar year before the withdrawal and for the part calendar year in which the withdrawal is made;
  - b. if all applicable withdrawal documentation is received by



OMERS on or after the Rate Determination Date and the withdrawal occurs during the same calendar year, the Five Year Average Rate of Return will be applied to the Member's AVC Account for only the part calendar year in which the withdrawal is made; and

- c. if all applicable withdrawal documentation is received by OMERS on or after the Rate Determination Date and the withdrawal occurs during the following calendar year, the Five Year Average Rate of Return will be applied to the Member's AVC Account for both the calendar year before the withdrawal and for the part calendar year in which the withdrawal is made.
5. The rate of return credited or charged to a Member's AVC Account will be the Annual Rate of Return or the Five Year Average Rate of Return, as applicable, less the "investment component" described in paragraph 2 of the Fees and Expenses section.
6. The Annual Rate of Return or the Five Year Average Rate of Return, as applicable, will be applied on a pro-rated basis to any amounts that are held in a Member's AVC Account for a portion of a calendar year. For example, if a contribution was made halfway through a year, the rate of return that would be applied to the contribution for that year would be half of the Annual Rate of Return or the Five Year Average Rate of Return, as applicable.
7. Examples of how the Annual Rate of Return and the Five Year Rate of Return are applied to a Member's AVC Account are available at [www.omers.com](http://www.omers.com). Alternatively, a copy of the examples can be requested by

contacting OMERS Client Services, Monday to Friday between 8 a.m. and 5 p.m., at 416-369-2444 or 1-800-387-0813.

## Fees and Expenses

1. A Member's AVC Account is subject to fees and expenses consisting of an investment component and an administration component.
2. The investment component reflects a pro-rated share of the investment management expenses of the Fund and is charged as a basis point reduction to the Annual Rate of Return or the Five Year Rate of Return, as applicable. For the Annual Rate of Return, the investment component is based on the investment management expenses for the applicable year. For the Five Year Average Rate of Return, the investment component is based on the average of the investment management expenses for each of the five years before a given calendar year.
3. The administration component is an annual flat amount, which is reviewed on a periodic basis and may change over time, consisting of the costs associated with the set up, operation and maintenance of AVC Accounts.
4. The administration component will be payable as a deduction to a Member's AVC Account Balance at:
  - a. the same time the investment component is charged to a Member's AVC Account; and
  - b. at the time a Member's entire AVC Account Balance is withdrawn.
5. If a Member has both Locked-In and non-Locked-In amounts in his or her AVC Account, the administration component will be charged against the non-Locked-In amounts.

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