

Policy Sponsor: CPO and Pensions

Summary: Sets out criteria for determining what information, technical and administrative support, and cost reimbursement the OAC will provide to the SC. **This policy must be approved by the Governance Committee.**

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1. PRINCIPLES

The SC is responsible for making decisions about the OMERS Pension Plans as set out under the OMERS Act, including those regarding Plan design and amendments, setting contribution rates, and filing valuations more frequently than required under the PBA.

The OAC has a responsibility pursuant to the OMERS Act to provide any

- information, advice, assistance, and technical and administrative support (“Support”); or
- reimbursement of costs incurred by the SC (“Reimbursement”)

that is reasonably requested by the SC to carry out the SC’s responsibilities. In doing so the OAC is required to act in accordance with the PBA, the ITA and other applicable laws including the obligation to act prudently and in the best interests of the Plan.

An effective carriage of governance and oversight by the SC and the OAC and an effective working relationship between the two is critical to the success of the governance model established by the OMERS Act and therefore to the Plans. In the spirit of cooperation, the OAC intends to provide as much Support and Reimbursement to the SC as is permitted by law taking into account the different roles and responsibilities of the OAC and the SC, including the objects of the two corporations as set out in the OMERS Act. The OAC also seeks to work efficiently to minimize these costs and thereby protect the assets of the Plans.

2. PROTOCOL

Consistent with these principles, the OAC and the SC agreed to a Protocol signed as of June 27, 2007 (Appendix A) which reflects their cooperative approach to resolving the issues of Reimbursement and Support, as contemplated under the OMERS Act. Schedule “A” to the Protocol is a list of examples which the SC and the OAC believe are either appropriate or inappropriate for Reimbursement or Support.

3. APPLICATION OF THIS POLICY

This Policy applies to all requests for Support or Reimbursement, including those which fall under the categories set out in Schedule "A" to the Protocol.

4. REQUESTS

The OAC will consider providing Support or Reimbursement only after receiving a formal request from the SC, unless the OAC determines that it is under a legal obligation to bring an issue to the SC, such as the need for a Plan change, and on its own initiative provides Support to the SC on that issue.

A request for Support or Reimbursement must be made by a resolution of the SC Board, or by the written direction of a delegate who is authorized to make the request under an SC Board resolution. The request must be submitted to the CEO or his or her delegate.

Each request must contain enough information to enable the OAC to make its determinations, including indicating whether it is being made for Support or Reimbursement, and if it is for Support, whether the SC wishes the OAC or a third party to provide the Support.

5. DETERMINATION TO PROVIDE SUPPORT OR REIMBURSEMENT

The CEO, CFO, CPO, COO or an SVP with delegated authority, must exercise his or her discretion to determine within a reasonable period of time following receipt of the request, whether the Plans will pay the cost and whether the OAC will provide the Support requested.

These determinations must be made on an independent, case-by-case basis considering the specific circumstances and the factors listed below.

5.1 Who Must Pay the Costs for Support or Reimbursement – OMERS Plans or the SC?

The costs will generally be payable by the applicable OMERS Plan or Plans if they are reasonable and:

- relate to the SC's objects and responsibilities under the OMERS Act;
- advance a common interest of the SC and the Plan as a whole, rather than addressing disparate or competing stakeholder interests;
- do not result in a duplication of effort by covering work already undertaken by the OAC, unless supported by extenuating circumstances; and
- are consistent with OAC principles and policies relating to its own similar expenses.

5.2 Who Should Provide the Support – the OAC or a Third Party?

Where the OAC has the qualifications and resources available to provide the requested Support to the SC, the OAC will generally do so unless:

- fulfilling the request could offend a legal requirement (such as privacy laws) or expose the OAC to any unacceptable legal liability as a fiduciary or otherwise;
- fulfilling the request could compromise the OAC's and the SC's ability to carry out their respective functions, now or in the future;
- fulfilling the request could compromise the confidentiality of the SC or the OAC deliberations or raise issues related to legal privilege and waiver;
- fulfilling the request would result in an inefficient time commitment and use of resources on the part of the OAC; or
- a third party could provide the requested Support on an equivalent and more cost effective basis.

6. ALLOCATION OF COSTS

The payment of costs for Support and Reimbursement requests will be drawn from the Primary Pension Plan, an RCA, or the Supplemental Plan as follows:

- where the costs relate to more than one plan, the OAC will allocate the amount to be charged to each benefiting plan depending on the specific facts, including the nature of the Support or requested Reimbursement and the individual plan and plan members benefiting from the related cost; and
- costs that relate to a specific plan will be charged only to that plan.

If the costs of requested Support are not properly chargeable to the Plans, funds must be advanced to the OAC by the SC before the Support is provided.

7. REPORTING

The CEO will communicate this policy and any amendments to the SC. The CFO will provide or cause to be provided a quarterly report to the Audit Committee which summarizes all Support and Reimbursement requests made by the SC setting out:

- the nature of the request;
- whether it was accepted or denied;
- any amount reimbursed;
- the rationale for each determination; and
- the external and internal costs incurred by the OAC in accepting the request.

The CFO will maintain records of the documentation received and prepared under this policy.

HISTORY

Effective Date:	March 23, 2011
Approval Dates:	September 21, 2007, March 26, 2009, March 23, 2011
Next Scheduled Date for Review:	March 2013

APPENDIX A PROTOCOL



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Sponsors Corporation

PROTOCOL

B E T W E E N :

OMERS SPONSORS CORPORATION (SC)

- and -

OMERS ADMINISTRATION CORPORATION (AC)

WHEREAS pursuant to Section 27 of the *Ontario Municipal Employees Retirement System Act of 2006* (the "Act"), the SC may require the AC to reimburse it for any of its costs that in the opinion of the AC may lawfully be paid out of the pension funds relating to the OMERS pension plans (the "Funds");

AND WHEREAS pursuant to Section 17 of the Act, AC is the administrator of the OMERS pension plans and the Funds and is subject to the requirements of the *Pension Benefits Act* (Ontario) (the "PBA");

AND WHEREAS pursuant to Section 28(1) of the Act, the SC may levy employers who participate in an OMERS pension plan and the members to fund any SC costs which may not lawfully be paid out of a Fund;

AND WHEREAS pursuant to Section 35(2)(c) and (d) of the Act, the AC may provide reasonable technical and administrative support to the SC;

AND WHEREAS the parties wish to establish a protocol to continue their cooperative approach to these issues and to ensure that each is fulfilling its statutory obligations with respect to reimbursements, levies and providing technical and administrative support;

The SC and AC have agreed to proceed as follows:

1. Annexed as Schedule "A" is a list of categories which the SC and AC, after consultation with their respective solicitors believe are either appropriate or inappropriate for reimbursement or for the provision of technical or administrative support. A brief rationale is also included.
2. SC and AC agree to approach the Financial Services Commission of Ontario ("FSCO") with a view to obtaining any confirmation or acknowledgement of the propriety of Schedule "A" that FSCO is able to provide pursuant to the PBA.
3. If FSCO does not provide any acknowledgement or confirmation, or if such confirmation or acknowledgement is not acceptable to AC or SC, AC and SC together will apply to the Superior Court of Ontario for its opinion and interpretation of (1) AC's authority and responsibility under the Act and the PBA relating to the reimbursement of costs by AC to SC and the provision of technical and administrative support by AC to SC; and (2) SC's entitlement to reimbursement of costs and provision of technical and administrative support from AC in accordance with the general outline of the cost and support items contained in Schedule "A".
4. SC will submit its claims for reimbursement or support to the AC with reasonable particulars and supporting documentation.
5. If the AC, in its opinion, declines to reimburse or provide any requested support, then the parties will consult and endeavour to resolve their differences.
6. Failing resolution with respect to a particular request, AC and SC, may apply to the Superior Court of Ontario for its opinion and interpretation relating to the specific request for reimbursement or provision of support, as applicable. Subject to this paragraph 6, AC and SC shall share equally the costs of any such court application. AC may in its discretion and subject to the Act and the PBA elect to have all of the costs relating to such court application paid by AC.
7. The SC will use available government funding to the extent possible for its costs. In the event that the issue of its entitlement to reimbursement and support is not finally determined prior to depleting its funding, AC agrees to provide reimbursement pursuant to Schedule "A".
8. The AC will advise the SC immediately if there is any challenge to any reimbursement or support already provided by the AC to the SC and the parties will cooperate in addressing this issue. If there is a final binding determination by either FSCO or a court of competent jurisdiction that the reimbursement or support provided was inappropriate or not permitted under the Act or the PBA ("Adverse Determination"), SC will return to the AC any reimbursement made or the fair value of any support provided together with interest from the date of

reimbursement or the date the support was provided, as applicable, at a rate equal to the rate of return earned in the applicable Fund over such period. The provisions of this paragraph 8 shall survive the termination of this Protocol.

9. This Protocol may be amended by written agreement between AC and SC.

10. Following the application of the parties to FSCO and the Superior Court of Ontario as set out in paragraphs 2 and 3 of this Protocol, the Protocol may be terminated by either party in accordance with the Act by giving the other party seventy five (75) days prior written notice.

DATED at Toronto this 27 day of JUNE, 2007.

OMERS ADMINISTRATION CORPORATION

By: Michael Nobrega
Name: MICHAEL NOBREGA
Title: CHIEF EXECUTIVE OFFICER

By: John W. Macdonald
Name: JOHN W. MACDONALD
Title: CHIEF OPERATING OFFICER

OMERS SPONSORS CORPORATION

By: Jim O'Leary
Name: Co-Chair
Title: Jim O'Leary

By: _____
Name: _____
Title: Co-Chair

**SCHEDULE "A"
TO PROTOCOL**

**Examples of AC's Determination of Support and Expense Reimbursement Requests
by SC**

Item		Eligibility		Rationale
		Eligible for Payment by AC	Eligible for support to be carried out by AC	
1.	Meetings of the SC: facilities and technological support	Yes	Yes	Presumes that AC is providing the support, not a third party. Facilities and technological support already exist for AC; reasonable and appropriate to provide to SC to avoid unreasonable duplication of costs.
2.	Meetings of the SC: administrative/secretarial support	Yes	No	Secretarial support would be provided by third party to avoid a real or perceived conflict of interest. Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration as it encourages effective record keeping of SC matters.
3.	Arranging annual audit of SC: auditor's fees	Yes	No	Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration also supports accountability.
4.	Preparing SC annual report: printing and distribution	Yes	Yes	Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration also supports accountability.

Item		Eligibility and Rationale		
		Eligible for Payment by AC	Eligible for support to be carried out by AC	Rationale
5.	SC education / development related to pension plan governance	Yes	Yes	Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration. Training and education improves governance, attendance at conference (either as a participant or speaker) benefits the Plan profile/confidence
6.	SC request cost estimates of proposed plan changes	Yes	Yes	Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration.
7.	Establish conditions for participation in the pension plans with associated employers and termination of participation in the pension plans by employers	Yes	Yes	Payment would be considered to be for the benefit of the administration of the Plan and support prudent administration.
8.	Recruiting SC members	No	No	Individual sponsor group responsibility. Constitutes a reimbursement to a sponsor group rather than SC as the sponsor group bears the responsibility of identifying and nominating the appropriate candidate.
9.	Recruiting AC members	No	No	As in 8 above
10.	Meetings of the SC: member remuneration and travel and business expenses	Yes	No	SC Meetings that are required for effective pension plan governance, e.g.: <ul style="list-style-type: none"> • to receive reports from AC; • to perform plan governance tasks such as decision on frequency of valuation filings

Item		Eligible for		
		Payment by AC	support to be carried out by AC	Rationale
11.	Development of initial SC by-laws: legal costs	No	No	Not required for plan administration; required for sponsor role. Legitimate one-time start-up cost to be paid by current sponsor.
12.	Recruiting members of advisory committees	No	No	As in 9 above
13.	Legal costs required for dispute resolution re: specified changes	No	No	Section 28(2) of the OMERS Act, 2006 prohibits such costs to be paid for by Plan.
14.	Obtain independent advice which is duplicative of advice already provided by the AC (e.g. cost estimates, valuation).	No But AC will consider costs where warranted on case by case basis	No	Substantially reduces duplication of effort.
15.	D&O and Fiduciary Insurance and related advisory services	Yes	Yes	The AC will consider costs, subject to further discussion and negotiations with insurers and related advisory consultants
16.	Communications with plan members, sponsors, public, web support, etc., except for communication on matters prior to a final decision by the SC	Yes	Yes	Required for effective plan governance, to ensure public and member confidence in plan as a whole and accountability