

# 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 which implement the AVC Provision, as amended from time to time, the legal documents 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 parents of a child as set out in section 4 of the *Children’s Law Reform Act*.

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

“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. Catch-up payments may also be made under the AVC Provision.
3. An Active Member may make both periodic contributions, catch-up payments and lump sum transfers to his or her AVC Account.
4. A Retired Member or a Deferred Member may only make lump sum transfers to his or her AVC Account.
5. 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)

1. Periodic contributions to an AVC Account may only be made by Active Members.
2. Periodic contributions to an AVC Account may be made on a biweekly or monthly basis through preauthorized debit payments from an Active Member’s bank account or on a monthly basis through payroll deduction with an employer who has provided OMERS with an election for the AVC payroll deduction option. Periodic contributions cannot be made by cash/cheque or on a lump sum basis. Periodic contributions cannot be made through pre-authorized debit and payroll deduction at the same time.

3. The minimum amount an Active Member may contribute as a periodic contribution is \$20 biweekly or \$40 monthly.
4. 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.
5. 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.
6. Pre-paid periodic contributions to an AVC Account are not permitted.
7. Periodic contributions to an AVC Account will be immediately discontinued by OMERS:
  - a. upon notice of an Active Member's termination of employment or death;
  - b. 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;
  - c. at the end of the calendar year in which the Active Member turns age 70; or
  - d. upon two consecutive failed automatic pre-authorized debit transactions (whether for periodic contributions or catch-up payments).
8. 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.
9. Periodic contributions to an AVC Account are administered as non-Locked-In amounts.

### **Contributions (Catch-Up Payments)**

1. Catch-up payments to an AVC Account may only be made by an Active Member who is making periodic contributions to his or her AVC Account.
2. An Active Member may make a catch-up payment to his or her AVC Account in a given calendar year if he or she has not contributed the maximum periodic contribution amount on a bi-weekly or monthly basis to his or her AVC Account during the given calendar year.
3. Catch-up payments to an AVC Account must be made on a lump sum basis through pre-authorized debit payments or cheque.
4. Subject to the rule in paragraph 5 below, the minimum amount an Active Member may contribute as a catch-up payment is \$20.

5. The maximum amount an Active Member may contribute as a catch-up payment to his or her AVC Account is subject to the thresholds established by OMERS.
6. A catch-up payment to an AVC Account will not be accepted if periodic contributions to an Active Member's AVC Account have been discontinued.
7. Any catch-up payments 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.
8. Catch-up payments to an AVC Account are administered as non-Locked-In amounts.

### **Contributions (Lump Sum Transfers)**

1. Lump sum transfers to an AVC Account may be made by Active Members, Retired Members and Deferred Members.
2. An Active Member, Retired Member or Deferred Member may make a lump sum transfer to his or her AVC Account from a 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 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 in Member turns age 70.
5. Lump sum transfers to an AVC Account from a 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.
6. 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, catch-up payment or lump sum transfer from his or her AVC Account until the calendar year after the year in which the periodic contribution, catch-up payment 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.
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, catch-up payment or lump sum transfer from his or her AVC Account until the calendar year after the year in which the periodic contribution, catch-up payment 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. Notwithstanding the rule in paragraph 7 above, Non-Locked-In amounts cannot be transferred to another registered pension plan, registered retirement savings plan, registered retirement income fund or used to purchase an annuity after the calendar year in which a Retired Member attains 71 years of age.
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, 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 (No Longer a Member)**

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.

### **Mandatory Withdrawals (Locked-In Amounts Pre Age 72)**

1. A Member must withdraw all Locked-In amounts in his or her AVC Account by October 31st during the year in which he or she will attain 71 years of age.
2. If a Member does not withdraw all Locked-In amounts in his or her AVC Account prior to October 31st 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.

### **Mandatory Withdrawals (Retired Members Post Age 71)**

1. The "ITA Amount"<sup>3</sup> means the minimum amount that must be withdrawn as cash from a Retired Member's AVC Account in a given calendar year after the calendar year he or she attains 71 years of age, based on the Retired Member's age and as prescribed for variable benefits under the ITA.



2. The "Optional Amount" means the amount withdrawn as cash from a Retired Member's AVC Account during the Withdrawal Window in a given calendar year after the calendar year he or she attains 71 years of age in accordance with the Optional Withdrawals (Deferred Members and Retired Members) section.
3. The "Remaining Amount" means, where applicable, the ITA Amount less the Optional Amount.
4. Each calendar year after the calendar year a Retired Member attains 71 years of age, he or she must withdraw the ITA Amount from his or her AVC Account.
5. If a Retired Member withdraws an Optional Amount in a given calendar year after the calendar year he or she attains 71 years of age and the Optional Amount is equal to or greater than the ITA Amount, no additional withdrawal is required under the rule in paragraph 4 above for the given calendar year.
6. If a Retired Member withdraws an Optional Amount in a given calendar year after he or she attains 71 years of age and the Optional Amount is less than ITA Amount, the Retired Member shall be deemed to have elected to withdraw the Remaining Amount, in which case OMERS will withdraw the Remaining Amount from the Retired Member's AVC Account and provide it (less applicable withholding tax) to him or her during the month of June immediately following the Withdrawal Window for the given calendar year.
7. If a Retired Member does not withdraw an Optional Amount in a given calendar year after the calendar year he or she attains 71 years of age, the Retired Member shall be deemed to have elected to withdraw the ITA Amount, in which case OMERS will withdraw the ITA Amount from the Retired Member's AVC Account and provide it (less applicable withholding tax) to him or her during the month of June immediately following the Withdrawal Window for the given calendar year.
8. Notwithstanding the rule in paragraph 7 above, if the ITA Amount is less than \$500, the Retired Member shall be deemed to have elected to withdraw \$500, in which case OMERS will withdraw \$500 from the Retired Member's AVC Account and provide it (less applicable withholding tax) to him or her during the month of June immediately following the Withdrawal Window for the given calendar year.
9. Notwithstanding the rules in paragraphs 1-8 above, where the balance in a Retired Member's AVC Account as at December 31<sup>st</sup> of the prior year is less than \$500, the Retired Member shall be deemed to have elected to withdraw his or her entire AVC Account Balance, in which case OMERS will withdraw the Retired Member's entire AVC Account Balance and provide it (less applicable withholding tax) to him or her during the month of June immediately following the Withdrawal Window for the given calendar year.

<sup>3</sup> Please note that "ITA amount" is referred to as "income amount" in the Consider the AVC Option guide.

### **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 1st 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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