OMERS
Plan for the Future

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

A handbook
for members with
Supplemental Plan
coverage

Your information is secure

When you join the Supplemental Plan, we ask you for personal information, including your social insurance number. 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 for any purpose other than pension plan administration. Any questions regarding the collection of personal information should be directed to OMERS Client Services at 1-800-387-0813.

Important!

This guide provides you with a summary of OMERS Supplemental Plan benefits for members with Supplemental Plan benefit coverage. If there is any discrepancy between this information and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the plan text, the *OMERS Act, 2006* and plan text will govern.

OMERS Supplemental Plan Registration Number: 1175892

Your benefit is protected

The rules that protect your Primary Plan benefit also protect your Supplemental Plan benefit. The benefit you have in the Supplemental Plan can't be seized – even if you declare personal bankruptcy. Your benefits also cannot be assigned to someone else, unless OMERS is instructed to do so through an order or agreement under the Ontario *Family Law Act*, or is required to do so by the Canada Revenue Agency.

Welcome to OMERS

Supplemental Pension Plan for Police, Firefighters and Paramedics

Supplemental benefits top up the pension you earn in the OMERS Primary Pension Plan (Primary Plan). The supplemental top-up pension equals the difference between your Primary Plan and Supplemental Plan pensions for the period you participate in the Supplemental Plan.

This booklet provides information on Supplemental Plan benefits, including information on membership, service, past service purchases, benefit formulas, and retirement options. It is provided to members joining the Supplemental Plan, and may be of interest to eligible members and employers considering a Supplemental Plan benefit. More information on Supplemental Plan benefits, including past service cost examples, is available at **www.omers.com** under Members/Supplemental Plan (Police, firefighters, paramedics).

All Supplemental Plan benefits – 2.33% accrual rate, "best three" earnings, "best four" earnings and 80/85 Factor – are covered in this booklet. You will only have new coverage for one of the benefits. If you need to confirm which benefit coverage applies to you, refer to your personalized OMERS Supplemental Plan information package or contact your employer.

Supplemental Plan benefits are not provided automatically and are subject to conditions of the *OMERS Act, 2006*. Employers may consent to provide coverage for a benefit under the Supplemental Plan for a class or classes of employees who are members of the police force, firefighters or paramedics. An employee class is defined by the employer. Only one benefit can be provided at a time. Once a supplemental benefit is set up, no further benefit can be provided for the covered class for at least 36 months.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan is a separate standalone registered pension plan. Costs are paid for entirely by participating members and employers; the *OMERS Act, 2006* does not permit the Primary Plan to pay for Supplemental Plan costs. Members cover the cost of member contributions and pay for most service purchases (including past service purchases). Employers cover the cost of employer contributions.

Information about your OMERS Primary Plan benefits

For information about your OMERS Primary Plan benefit, see the handbook, *Your OMERS Pension*, provided by your employer. An up-to-date version of the handbook is also available online at **www.omers.com**.

How to get in touch with OMERS

If you have questions about OMERS, we have online information and tools, and helpful and knowledgeable Client Services staff. Please contact us, Monday to Friday, 8:00 a.m. to 5:00 p.m. at:

- Telephone: 416-369-2444 or 1-800-387-0813
- Fax: 416-369-9704 or 1-877-369-9704
- E-mail: client@omers.com
- Web: www.omers.com

Table of Contents

Table of Contents

Table of Contents

Membership 1

You are a member of the Supplemental Plan because your employer set up coverage for your employee class, as indicated on your personalized OMERS Supplemental Plan information package. This section details when your membership in the Supplemental Plan begins and when you are entitled to a benefit.

When does my Supplemental Plan coverage start?

Your Supplemental Plan coverage starts on your enrolment date in the Supplemental Plan.

Your enrolment date is:

- the effective date specified in the agreement between your employer and OMERS if you're already enrolled in the Primary Plan at the time your employer provides Supplemental Plan coverage; or
- the same date as your enrolment date in the Primary Plan if you are hired after the effective date of your employer's Supplemental Plan agreement.

Note
If you have the 2.33% accrual rate benefit and your coverage start date is in a prior year, your enrolment date is subject to Past Service Pension Adjustment approval by the Canada Revenue Agency. For details see "Income tax, RRSP room and the 2.33% benefit" on page 15. This applies only to the 2.33% accrual rate benefit, not the other Supplemental Plan benefits.

When does my Supplemental Plan pension become "locked in"?

Locking-in rules

Your Supplemental Plan contributions are locked in when you have 24 months of membership in the Primary Plan, including transferred or purchased service. Under Ontario law, when your pension is locked in you cannot cash it out, except in very rare cases.

Vesting

Your Supplemental Plan benefits are vested from the day your coverage begins. This means you are entitled to a pension benefit available from day one.

Coverage for more than one benefit

It's possible to have coverage for more than one Supplement Plan benefit, but there are rules:

- Supplemental Plan benefits are not automatic; your employer would have to set up the benefit coverage for your employee class – a member cannot set up a benefit for himself or herself.
- Only one benefit can be provided for a class of employees at a time.
- Once a supplemental benefit is set up, no further supplemental benefits can be provided for the covered class of employees for at least 36 months.

Service 2

This section outlines the types of Supplemental Plan service and how Supplemental Plan credited service can be increased through service purchases.

What is Supplemental Plan credited service?

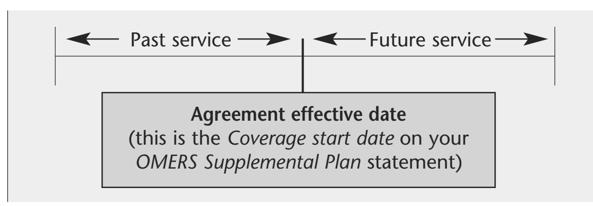
Supplemental Plan credited service is the number of years and months of paid service you have in the Supplemental Plan. Your Supplemental Plan credited service is used to calculate your Supplemental Plan benefit.

Your credited service in the Supplemental Plan must have corresponding credited service in the Primary Plan. (Note: This does not apply in reverse – you could have credited service in the Primary Plan without having the corresponding period in the Supplemental Plan.)

For example, if you have Supplemental Plan credited service from June 1, 2009 to January 1, 2010, you must also have credited service in the Primary Plan for the same period. However, you could have credited service prior to June 1, 2009 in the Primary Plan without having the corresponding service in the Supplemental Plan.

Past versus future service

If you already have credited service in the Primary Plan when the Supplemental Plan benefit is set up for your employee class, you will have past and future service in the Supplemental Plan.



What is Supplemental Plan past service?

Supplemental Plan past service is credited service you've earned in the Primary Plan before the Supplemental Plan agreement effective date. Your credited service in the Primary Plan includes periods of time during which:

- you contributed to the Primary Plan (and have not had a refund of contributions);
- you earned pension during a contribution holiday (a plan surplus period when contributions are not required);
- you purchased leaves or past service;
- you transferred funds from another pension plan or another OMERS employer; and
- you earned pension while on an approved disability leave from your OMERS employer.

You may be able to purchase your past service so it's counted as Supplemental Plan credited service. For more information, see "Increasing my Supplemental Plan credited service," below.

What is Supplemental Plan future service?

Supplemental Plan future service is credited service you earn in the Supplemental Plan (including any leave periods you purchase) starting from the coverage start date of your Supplemental Plan benefit.

35-year limit

Once you reach 35 years of credited service in the Primary Plan, you and your employer stop making Supplemental Plan and Primary Plan contributions. Your employer will continue to report your annual earnings to OMERS – to use to calculate your Primary Plan and Supplemental Plan pensions. You may still make past service contributions – until you reach a total of 35 years of credited service in the Supplemental Plan.

Increasing my Supplemental Plan credited service

Purchasing service may increase your pension and/or allow you to retire earlier.

Two types of service can be purchased in the Supplemental Plan:

- **Past service** – credited service you earned in the Primary Plan before the coverage start date of your Supplemental Plan benefit.
- **Future service** – leave periods occurring after the coverage start date of your Supplemental Plan benefit.

This section covers general information on purchasing Supplemental Plan service. Details on purchasing past service specific to each Supplemental Plan benefit are covered separately in the benefit sections of this booklet. Information on purchasing leaves is also available online at OMERS website under Members/Details about your plan.

Past service

You may be able to purchase your past service so it's counted as Supplemental Plan credited service.

If you have past service available to purchase, a personalized *Supplemental Plan past service purchase* statement is included with your OMERS Supplemental Plan information package. The statement includes detailed costings, payment information, and forms to complete and return to OMERS if you wish to buy service.

> **Note**
> Your *Supplemental Plan past service purchase* statement includes past service on OMERS records at the time the statement is produced. You may have additional Primary Plan credited service that has not yet been reported and posted to your record. If Primary Plan credited service is later added to your record, you will be able to purchase it as Supplemental Plan past service. To find out if you have additional service, check the *Pension Report* that we send to you each year or contact OMERS Client Services.

The cost to purchase past service is the present value and takes your age, earnings and service into account. The cost generally increases with age, service and earnings.

Purchasing this service is your choice. You may purchase some, all or none of the past service. If you decide to purchase past service, you pay the full amount (your employer does not share the cost).

If you decide not to purchase some or all of your past service, you may be able to buy it in the future provided you continue to have Supplemental Plan coverage for the same benefit; however, the cost may increase.

Payment schedule options

Payment options for past service include:

- **Lump-sum payment by cheque** – You pay OMERS directly and we will issue you a tax receipt. You can make lump-sum payments throughout your career; however, a new cost for the past service will be calculated (based on your current age and service) each time. Service is credited to your record when the lump-sum payment is received.
- **Transferring funds from your RRSP** – The RRSP must be in your name – you cannot use a spousal RRSP. Because the monies are already tax-sheltered, we will not issue a tax receipt. Service is credited to your record when the RRSP monies are received.
- **Monthly payment plan (12-month plan, 24 month plan or 36 month plan)** – The payment is withdrawn from your bank account on the last business day of the month. Service is credited to your record as the payments are received. If at the end of a payment plan (e.g., after three years) you still have past service available to purchase, you can set up a new payment plan to purchase more service. In this case, a new cost for the past service will be calculated (based on your current age and service).
- **Transfer your retiring allowance**

End of coverage

If your Supplemental Plan coverage ends, you must finalize your purchase within 30 days of OMERS receiving notification from your employer.

Future service purchases

If you purchase a leave period occurring after your Supplemental Plan coverage start date, you must purchase the period in both the Primary Plan and Supplemental Plan. The service cannot be purchased separately.

For example, if you purchase a pregnancy/parental leave period in the Primary Plan and you also have Supplemental Plan service for the related period, you must also purchase that related period in the Supplemental Plan. Similarly, to purchase a period in the Supplemental Plan, the related Primary Plan service must be purchased at the same time.

For information on the types of leave periods you can buy, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan. The same purchase rules apply for leave periods in the Supplemental Plan and Primary Plan once your Supplemental Plan coverage starts.

Is purchasing service beneficial?

The decision to buy service is a personal one. It depends on many factors including when you plan to retire, your income, other assets, life expectancy, risk, and personal savings. If you're paying by cash, your purchase could lower your taxable income. See "Tax Deductibility and Cash Purchases of Past Service" on page 39 for more details.

Past service purchases are subject to the *Income Tax Act* (ITA) limits. If you have past service exceeding the maximum limit, details are included on the *Supplemental Plan past service purchase* statement section of your personalized OMERS Supplemental Plan information package.

Visit **www.omers.com** under Members/Supplemental Plan (Police, firefighters, paramedics) for more information about purchasing past service and leave periods. You'll find:

- **Worksheets and pension estimates** – Use the worksheets to estimate how purchasing Supplemental Plan service can increase your Supplemental Plan top-up pension. When you know the estimated increase to your pension and the cost, you can decide whether buying service is right for you. Or, you can contact OMERS Client Services and request a pension estimate with and without the extra service.

- **Supplemental Plan past service cost examples** – The examples show the estimated cost of purchasing past service and the point the member would "break even" on the purchase after their pension starts.

- **Example of past service purchase "break-even" point** – If the cost to purchase 20 years of Supplemental Plan past service is $16,000 and the estimated annual lifetime top-up pension for the Supplemental Plan past service is $1,400. The "break-even" point – the point where the top-up pension payments received (with respect to the past service only) exceed the cost – is $16,000 ÷ $1,400 = 11.43 years. The top-up pension is paid for life – even after the break-even point, and comes with inflation protection.

Note
The example has been simplified to illustrate how a past service purchase can pay off after retirement. Other factors not included in the example such as accrued interest to the retirement date, inflation adjustments after retirement and the earnings used in pension calculation, will affect the break-even point.

- **Tax information** – When purchasing service, there may also be tax considerations as the ITA limits the benefit a member can receive for some periods of service.

2.33% Accrual Rate Benefit 3

This section is for members with the 2.33% accrual rate Supplemental Plan benefit. The benefit you have coverage for is indicated on your personalized OMERS Supplemental Plan statement.

The 2.33% Supplemental Plan benefit is a top-up pension – it pays the difference between the Supplemental Plan benefit formula accrual rate (2.33%) and the Primary Plan benefit formula accrual rate (2%) for the period of supplemental credited service.

Who pays for my Supplemental Plan benefit?

From your coverage start date, you and your employer contribute equally for your benefit.

Exception: For some leave periods, the member pays the total cost. For example, a member who is purchasing an authorized leave of absence for a study period will pay the total contributions the member and the employer would have made during the leave period. For more information on purchasing leaves, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan.

Future service contributions

Contributions for the 2.33% accrual rate benefit have two components:

- **Supplemental Plan contributions** to fund your 2.33% benefit.
- **Primary Plan rebound contributions** to fund any impact the 2.33% benefit has on the Primary Plan. The 2.33% accrual rate benefit may influence (or encourage) a member's early retirement. This cost impact on the Primary Plan must be taken into consideration and, as a result, an additional Primary Plan rebound rate is applied.

Supplemental Plan contributions:

- are in addition to your Primary Plan contributions;
- are effective from the coverage start date of your Supplemental Plan benefit (if your coverage start date is retroactive, your employer will immediately deduct retroactive contributions); and
- are paid on the same contributory earnings as your Primary Plan contributions.

Note
See the "Service" section on page 9 for the definition of past and future service.

Supplemental Plan contribution rates

The following chart shows member future service contribution rates for the 2.33% accrual rate benefit.

	Supplemental Plan contribution rate	Primary Plan rebound rate	Total
Members with a normal retirement age of 60	2.75%	0.2%	2.95%
Members with a normal retirement age of 65	2.35%	0.3%	2.65%

Your employer normally pays a matching amount.

Contribution examples

The following are future service contribution examples for the 2.33% accrual rate benefit. Also included are the Primary Plan contributions and the total contributions.

Members with a normal retirement age of 60

In this example, we assume the member is paid every two weeks.				
Contributory earnings	Member's Primary Plan contributions every two weeks		Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
	Contributions	Rebound		
$50,000, per year ($1,923, per pay period)	$157.42	$3.85	$52.88	$214.15
$70,000, per year ($2,692, per pay period)	$239.73	$5.38	$74.04	$319.15
In this example, Primary Plan contributions are based on the 2008 CPP earnings ceiling of $44,900 and 2008 contribution rates.				

Members with a normal retirement age of 65

In this example, we assume the member is paid every two weeks.				
Contributory earnings	Member's Primary Plan contributions every two weeks		Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
	Contributions	Rebound		
$50,000, per year ($1,923, per pay period)	$131.08	$5.77	$45.19	$182.04
$70,000, per year ($2,692, per pay period)	$204.93	$8.08	$63.27	$276.28
In this example, Primary Plan contributions are based on the 2008 CPP earnings ceiling of $44,900 and 2008 contribution rates.				

Limits affecting your Supplemental Plan contributions

***Income Tax Act* (ITA) maximum earnings limit**

Supplemental Plan contributions for your 2.33% benefit stop if your salary is over the maximum pension earnings limit (e.g., the 2008 annual limit is $131,820.25, pro-rated per pay period). This is because the Supplemental Plan does not have a Retirement Compensation Arrangement (RCA) to provide benefits for those members with earnings exceeding the ITA limit.

Example:

If a member's annual contributory earnings are $140,000 ($5,384 per pay period) in 2008, the member would not pay Supplemental Plan contributions or Primary Plan rebound contributions for the 2.33% benefit on any earnings.

Note

The maximum earnings limit affects only your Supplemental Plan contributions and Primary Plan rebound contributions. The Primary Plan has an RCA for benefits exceeding the maximum earnings limit.

35-year limit
Once you reach 35 years of credited service in the Primary Plan, you and your employer stop making future service Supplemental Plan contributions and Primary Plan contributions on earnings.

How is the 2.33% benefit calculated?

The 2.33% Supplemental Plan benefit is calculated as follows:

2.33%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	"Best five" earnings
Less				
2%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	"Best five" earnings
Equals the 2.33% Supplemental Plan lifetime top-up pension				

Terms used in the benefit calculation

Supplemental Plan credited service – We use the Supplemental Plan credited service in both lines of the formula because the top-up pension is based on the period of supplemental coverage. Any credited service in the Primary Plan that has not been purchased in the Supplemental Plan would not be included in the top-up pension. For example, a member has 10 years of Primary Plan credited service and five years of Supplemental Plan credited service. To calculate this member's top-up pension, we would use five years of Supplemental Plan credited service in both lines of the above formula.

"Best five" earnings – This is the annual average of your highest **60 consecutive months** – your **best five** years – of contributory earnings in the Primary Plan. If you have less than five years of credited service in the Primary Plan, we use your actual service to calculate your average earnings.

Example calculation

Jim retires early (at age 58) with an unreduced pension. He has 30 years of credited service, including two years of 2.33% Supplemental Plan coverage. Jim's "best five" earnings are $70,000.

Jim's 2.33% Supplemental Plan top-up pension

2.33%	x	2 years	x	$70,000	=	$3,262
Less						
2%	x	2 years	x	$70,000	=	$2,800
Equals Jim's 2.33% Supplemental Plan lifetime top-up pension					=	**$462 per year**

Two years of Supplemental Plan credited service gives Jim a top-up of **$462** on his future annual pension:

Primary Plan: Jim's lifetime pension plus bridge benefit to age 65*	$42,000
Supplemental Plan: Jim's top-up pension	+ $462
Jim's total pension to age 65	$42,462 per year
Primary Plan: Jim's lifetime pension from age 65**	$33,402
Supplemental Plan: Jim's top-up pension	+ $462
Jim's total pension from age 65	$33,864 per year

* Primary Plan: Jim's lifetime pension plus bridge benefit to age 65: 2% x 30 years of credited service x $70,000 = $42,000

** Assumes a bridge benefit of $8,598 (calculated using the 2008 five-year average CPP earnings limit of $42,460). For more information on how we calculate an OMERS pension, visit OMERS website under Members/Details about your plan or see the *Your OMERS pension* handbook.

Past service purchases

Past service is credited service in the Primary Plan earned before your Supplemental Plan coverage start date.

If you have past service available to purchase, a *Supplemental Plan past service purchase* statement with cost details is included with your personalized OMERS Supplemental Plan information package provided when your coverage is set up or upon request.

For the 2.33% benefit, purchasing past service may increase your total pension.

Example of past service purchase

In the previous example, Jim had 30 years of credited service, including two years of 2.33% Supplemental Plan credited service earned from the coverage start date (i.e., future service).

The two years of Supplemental Plan credited service gave him a Supplemental Plan top-up of $462 on his future annual pension. If he purchases eight years of his 28 years of past service, his Supplemental Plan credited service would increase to 10 years. This would increase his Supplemental Plan top-up pension to $2,310:

Jim's 2.33% Supplemental Plan top-up pension

2.33%	x	10 years	x	$70,000	= $16,310
Less					
2%	x	10 years	x	$70,000	= $14,000
Equals Jim's 2.33% Supplemental Plan lifetime top-up pension					**= $2,310 per year**

Tax considerations

When purchasing past service related to your Supplemental Plan 2.33% accrual rate benefit, consider the following tax issues:

- For post-1989 past service, you must have enough RRSP room to accommodate the purchase – see PSPAs below.
- If you're paying by cash, the purchase will lower your taxable income but there are restrictions – see "Tax Deductibility and Cash Purchases of Past Service" on page 39 for details.
- Past service purchases are subject to the ITA limits – if you have past service exceeding the maximum limit, details are included on the *Supplemental Plan past service purchase* statement section of your personalized OMERS Supplemental Plan information package.

Income tax, RRSP room and the 2.33% benefit

Contributions to the Supplemental Plan

Your contributions to the Supplemental Plan lower your taxable income. Your employer reports your future service Supplemental Plan contributions along with your Primary Plan contributions to the Canada Revenue Agency (CRA) on a T4 slip each year.

Amounts you contribute to buy a leave period or past service may also be used to lower your taxable income.

RRSP room

Each year your employer calculates the estimated value of the lifetime OMERS pension you earned according to a formula established by the CRA. The estimated value is called a Pension Adjustment (PA) and is reported to CRA on your T4.

Your 2.33% accrual rate benefit increases your annual pension by 0.33% for covered service. This must be taken into account when your employer calculates your PA.

CRA uses your PA to calculate your RRSP room for the current year:

18%	**x**	**previous year's earnings** (up to maximum)	**–**	**previous year's PA and Past Service Pension Adjustment (PSPA)** (up to a maximum)

Compared to having no coverage for the 2.33% benefit (i.e., only Primary Plan or another Supplemental Plan benefit), your PA will be higher and you will have less RRSP room with the 2.33% benefit.

Your employer combines the PAs for the Primary Plan and the Supplemental Plan and reports the total as one PA on your T4 slip.

PSPAs

Retroactive coverage

If your coverage start date occurs in a previous year, OMERS will calculate a PSPA for the retroactive period and report it to the CRA. CRA will subtract the PSPA from your RRSP room. If you don't have enough RRSP room, CRA will contact you with your options (see "Insufficient RRSP room" on page 17).

Past service purchases
If you purchase Supplemental Plan past service and the service occurred after December 31, 1989, OMERS will calculate a PSPA and report it to the CRA.

The CRA will subtract the PSPA from your available RRSP contribution room. Provided you have enough RRSP room, the purchase will be processed and the contributions and credited service will be posted to your record. If you have insufficient room, CRA will provide you with your options (see "Insufficient RRSP room" below).

Insufficient RRSP room
The CRA may allow you to exceed your available RRSP room by $8,000 leaving you with a negative RRSP deduction limit. In this case, you will not be able to make any RRSP contributions until your current (and possibly future) earnings restore your RRSP room to a positive value.

RRSP withdrawal
If you don't have enough RRSP room to accommodate the PSPA (even with the $8,000 negative deduction limit) for retroactive coverage or for a past service purchase, CRA will give you the option to withdraw RRSP money to create the room needed.

No RRSP withdrawal
If you do not have enough RRSP room to accommodate the PSPA and you decline the option to withdraw RRSP funds, then:

- **For retroactive coverage** – OMERS will adjust your coverage start date and your past service. Your enrolment date will be moved up to the first month you can contribute towards the Supplemental Plan benefit without PSPA certification. Once adjusted, the date cannot be re-adjusted.
- **For a past service purchase** – The past service application will be declined. You may elect to purchase a shorter period of service or wait until your RRSP situation can accommodate a PSPA.

Maximum pension limit

The ITA limits how much pension we can pay from OMERS Registered Pension Plans. In 2008, this limit is $2,333.33 per year of post-1991 service. The limit increases each year. When a benefit is paid, OMERS must ensure the total pension payable from the Primary Plan and Supplemental Plan is under this limit.

If the Primary Plan benefit is close to the limit, the Supplemental Plan can only provide a top-up to the limit. If the Primary Plan benefit is at the limit, there would be no pension payable from the Supplemental Plan. This is because the Supplemental Plan does not have a RCA to provide benefits for those members with earnings that generate a benefit that exceeds the ITA limit.

If there is no benefit payable, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the Supplemental Plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

"Best Three" Earnings Benefit 4

This section is for members with the "best three" earnings Supplemental Plan benefit. The benefit you have coverage for is indicated on your personalized OMERS Supplemental Plan statement.

This benefit replaces the "best five" earnings used to calculate the pension for the period of supplemental credited service. The benefit acts as a top-up – it pays the difference between the supplemental benefit ("best three" earnings) and the Primary Plan ("best five" earnings) benefit.

Who pays for my Supplemental Plan benefit?

From your coverage start date, you and your employer contribute equally to your benefit.

> **Exception:** For some leave periods, the member pays the total cost. For example, if a member is on an authorized leave of absence for a study period, the member pays the total contributions the member and the employer would have made during period. For more information on purchasing leaves, see *Your OMERS Pension* handbook available from your employer or visit the Members section at **www.omers.com**.

Future service contributions

Supplemental Plan contributions:

- are in addition to your Primary Plan contributions;
- are effective from the coverage start date of your Supplemental Plan benefit – if your coverage start date is retroactive, your employer will immediately deduct retroactive contributions;
- are paid on the same contributory earnings as your Primary Plan contributions.

> **Note**
> See the "Service" section on page 9 for the definition of past and future service.

Your contributions to the Supplemental Plan lower your taxable income. Your employer reports your Supplemental Plan contributions along with your Primary Plan contributions to the Canada Revenue Agency (CRA) on a T4 slip each year.

Supplemental Plan contribution rates

The following chart shows member future service contribution rates for the "best three" benefit.

	Supplemental Plan contribution rate
Members with a normal retirement age of 60	1.1%
Members with a normal retirement age of 65	0.9%

Your employer normally pays a matching amount.

Contribution examples

The following are future service contribution examples for the "best three" earnings benefit. Also included are the Primary Plan contributions and the total contributions.

Members with a normal retirement age of 60

In this example, we assume the member is paid every two weeks.

Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000, per year ($1,923, per pay period)	$157.42	$21.15	$178.57
$70,000, per year ($2,692, per pay period)	$239.73	$29.62	$269.35

In this example, Primary Plan contributions are based on the 2008 Canada Pension Plan (CPP) earnings ceiling of $44,900 and 2008 contribution rates.

Members with a normal retirement age of 65

In this example, we assume the member is paid every two weeks.

Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000, per year ($1,923, per pay period)	$131.08	$17.31	$148.39
$70,000, per year ($2,692, per pay period)	$204.93	$24.23	$229.16

In this example, Primary Plan contributions are based on the 2008 CPP earnings ceiling of $44,900 and 2008 contribution rates.

Limits affecting your Supplemental Plan contributions

Income Tax Act (ITA) maximum earnings limit

Supplemental Plan contributions for your "best three" earnings benefit stop if your salary is over the maximum pension earnings limit (e.g., the 2008 limit is $131,820.25, pro-rated per pay period). This is because the Supplemental Plan does not have a Retirement Compensation Arrangement (RCA) to provide benefits for those members with earnings exceeding the ITA limit.

Example:

If a member's annual contributory earnings are $140,000 ($5,384 per pay period) in 2008, the member would not pay Supplemental Plan contributions for the "best three" earnings benefit on any earnings.

> **Note**
>
> The maximum earnings limit affects only your Supplemental Plan contributions. The Primary Plan has an RCA for benefits exceeding the maximum earnings limit.

35-year limit

Once you reach 35 years of credited service in the Primary Plan, you and your employer stop making future service Supplemental Plan contributions and Primary Plan contributions on earnings.

How is the "best three" earnings benefit calculated?

The "best three" earnings benefit is calculated as follows:

2%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	**"Best three" earnings**
Less				
2%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	**"Best five" earnings**
Equals the "best three" Supplemental Plan lifetime top-up pension				

Terms used in the benefit calculation

Supplemental Plan credited service – We use the Supplemental Plan credited service in both lines of the formula because the top-up pension is based on the period of supplemental coverage. Any credited service in the Primary Plan that has not been purchased in the Supplemental Plan would not be included in the top-up pension. For example, a member has 10 years of Primary Plan credited service and five years of Supplemental Plan credited service. To calculate this member's top-up pension, we would use five years of Supplemental Plan credited service in both lines of the above formula.

"Best three" earnings – This is the annual average of your highest **36 consecutive months** – your **best three** years – of contributory earnings in the Primary Plan. If you have less than three years of credited service in the Primary Plan, we use your actual service to calculate your average earnings.

"Best five" earnings – This is the annual average of your highest **60 consecutive months** – your **best five** years – of contributory earnings in the Primary Plan. If you have less than five years of credited service in the Primary Plan, we use your actual service to calculate your average earnings.

Example calculation

Suzanne retires early (at age 58) with an unreduced pension. She has 30 years of credited service, including two years earned under the "best three" earnings supplemental benefit. Suzanne's "best five" earnings are $74,000. Her "best three" earnings are $76,000.

Suzanne's "best three" Supplemental Plan top-up pension

2%	x	2 years	x	$76,000 "Best three"	=	$3,040
Less						
2%	x	2 years	x	$74,000 "Best five"	=	$2,960
Equals Suzanne's "best three" Supplemental Plan lifetime top-up pension					**=**	**$80**

Two years of Supplemental Plan credited service gives Suzanne a top-up of **$80** on her future annual pension:

Primary Plan: Suzanne's lifetime pension plus bridge benefit to age 65*	$44,400
Supplemental Plan: Suzanne's top-up pension	+ $80
Suzanne's total pension to age 65	$44,480 per year
Primary Plan: Suzanne's lifetime pension from age 65**	$35,802
Supplemental Plan: Suzanne's top-up pension	+ $80
Suzanne's total pension from age 65	$35,882 per year

* Primary Plan: Suzanne's lifetime pension plus bridge benefit to age 65: 2% x 30 years of credited service x $74,000 = $44,400

** Assumes a bridge benefit of $8,598 (calculated using the 2008 five-year average CPP earnings limit of $42,460). For more about how we calculate an OMERS pension, visit OMERS website under Members/Details about your plan or see the *Your OMERS Pension* handbook.

Past service purchases

Past service is credited service in the Primary Plan earned before your Supplemental Plan coverage start date.

If you have past service available to purchase, a *Supplemental Plan past service purchase statement* with cost details is included with your personalized OMERS Supplemental Plan information package provided when your coverage is set up or upon request.

For the "best three" earnings benefit, purchasing past service may increase your total pension.

“Best three” earnings – example of past service purchase

In the previous example, Suzanne had 30 years of credited service, including two years of “best three” earnings Supplemental Plan credited service earned from the coverage start date (i.e., future service).

The two years of Supplemental Plan credited service gave her a Supplemental Plan top-up of $80 on her future annual pension. If she purchases eight years of her 28 years of past service, her Supplemental Plan credited service would increase to 10 years. This would increase her Supplemental Plan top-up pension to **$400**:

Suzanne’s “best three” Supplemental Plan top-up pension

2%	x	10 years	x	$76,000 “Best three”	= $15,200
Less					
2%	x	10 years	x	$74,000 “Best five”	= $14,800
Equals Suzanne’s “best three” Supplemental Plan lifetime top-up pension					**= $400 per year**

Tax considerations

When purchasing past service related to your Supplemental Plan “best three” earnings benefit, consider the following tax issues:

- If you’re paying by cash, the purchase will lower your taxable income but there are restrictions – see “Tax Deductibility and Past Service Purchases” on page 39 for details.
- Past service purchases are subject to the ITA limits. If you have past service exceeding the maximum limit, details are included on the *Supplemental Plan past service purchase statement* section of your personalized OMERS Supplemental Plan information package.

Maximum pension limit

The ITA limits how much pension we can pay from OMERS Registered Pension Plans. In 2008, this limit is $2,333.33 per year of post-1991 service. The limit increases each year. When a benefit is paid, OMERS must ensure the total pension payable from the Primary Plan and Supplemental Plan is under this limit.

If the Primary Plan benefit is close to the limit, the Supplemental Plan can only provide a top-up to the limit. If the Primary Plan benefit is at the limit, there would be no pension payable from the Supplemental Plan. This is because the Supplemental Plan does not have an RCA to provide benefits for those members with earnings that generate a benefit that exceeds the ITA limit.

If there is no benefit payable, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the Supplemental Plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

“Best Four” Earnings Benefit 5

This section is for members with the “best four” earnings Supplemental Plan benefit. The benefit you have coverage for is indicated on your personalized OMERS Supplemental Plan statement.

This benefit replaces the “best five” earnings used to calculate the pension for the period of supplemental service. The benefit acts as a top-up – it pays the difference between the supplemental benefit (“best four” earnings) and the Primary Plan (“best five” earnings) benefit.

Who pays for my Supplemental Plan benefit?

From your coverage start date, you and your employer contribute equally for your benefit.

Exception: For some leave periods, the member pays the total cost. For example, if a member is on an authorized leave of absence for a study period, the member pays the total contributions the member and the employer would have made during period. For more information on purchasing leaves, see *Your OMERS Pension* handbook available from your employer or visit the Members section at **www.omers.com**.

Future service contributions

Supplemental Plan contributions:

- are in addition to your Primary Plan contributions;
- are effective from the coverage start date of your Supplemental Plan benefit – if your coverage start date is retroactive, your employer will immediately deduct retroactive contributions;
- are paid on the same contributory earnings as your Primary Plan contributions.

Note
See the “Service” section on page 9 for the definition past and future service.

Your contributions to the Supplemental Plan lower your taxable income. Your employer reports your Supplemental Plan contributions along with your Primary Plan contributions to the Canada Revenue Agency (CRA) on a T4 slip each year.

The following chart shows member future service contribution rates for the "best four" benefit.

	Supplemental Plan contribution rate
Members with a normal retirement age of 60	0.85%
Members with a normal retirement age of 65	0.75%

Your employer normally pays a matching amount.

Contribution examples

The following are future service contribution examples for the "best four" earnings benefit. Also included are the Primary Plan contributions and the total contributions.

Members with a normal retirement age of 60

In this example, we assume the member is paid every two weeks			
Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000 per year ($1,923, per pay period)	$157.42	$16.35	$173.77
$70,000, per year ($2,692, per pay period)	$239.73	$22.88	$262.61
In this example, Primary Plan contributions are based on the 2008 Canada Pension Plan (CPP) earnings ceiling of $44,900 and 2008 contribution rates.			

Members with a normal retirement age of 65

In this example, we assume the member is paid every two weeks.			
Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000, per year ($1,923, per pay period)	$131.08	$14.42	$145.50
$70,000, per year ($2,692, per pay period)	$204.93	$20.19	$225.12
In this example, Primary Plan contributions are based on the 2008 CPP earnings ceiling of $44,900 and 2008 contribution rates.			

Limits affecting your Supplemental Plan contributions

***Income Tax Act* (ITA) maximum earnings limit**
Supplemental Plan contributions for your "best four" earnings benefit stop if your salary is over the maximum pension earnings limit (e.g., the 2008 limit is $131,820.25, pro-rated per pay period). This is because the Supplemental Plan does not have a Retirement Compensation Arrangement (RCA) to provide benefits for those members with earnings exceeding the ITA limit.

Example:
If a member's annual contributory earnings are $140,000 ($5,384 per pay period) in 2008, the member would not pay Supplemental Plan contributions for the "best four" earnings benefit on any earnings.

> **Note**
> The maximum earnings limit affects only your Supplemental Plan contributions. The Primary Plan has an RCA for benefits exceeding the maximum earnings limit.

35-year limit
Once you reach 35 years of credited service in the Primary Plan, you and your employer stop making future service Supplemental Plan and Primary Plan contributions on earnings.

How is the "best four" earnings benefit calculated?

The "best four" earnings benefit is calculated as follows:

2%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	**"Best four" earnings**
Less				
2%	x	**Supplemental Plan credited service** number of years (maximum 35 years)	x	**"Best five" earnings**
Equals the "best four" Supplemental Plan lifetime top-up pension				

Terms used in the benefit calculation

Supplemental Plan credited service – We use the Supplemental Plan credited service in both lines of the formula because the top-up pension is based on the period of supplemental coverage. Any credited service in the Primary Plan that has not been purchased in the Supplemental Plan would not be included in the top-up pension. For example, a member has 10 years of Primary Plan credited service and five years of Supplemental Plan credited service. To calculate this member's top-up pension, we would use five years of Supplemental Plan credited service in both lines of the above formula.

"Best four" earnings – This is the annual average of your highest **48 consecutive months** – your **best four** years – of contributory earnings in the Primary Plan. It does not include any overtime pay or most lump-sum payments. If you have less than four years of credited service in the Primary Plan, we use your actual service to calculate your average earnings.

"Best five" earnings – This is the annual average of your highest **60 consecutive months** – your **best five** years – of contributory earnings in the Primary Plan. If you have less than five years of credited service in the Primary Plan, we use your actual service to calculate your average earnings.

Example calculation

Joe retires early (at age 58) with an unreduced pension. He has 30 years of credited service, including two years earned under the "best four" earnings supplemental benefit. Joe's "best five" earnings are $74,000. His "best four" earnings are $75,000.

Joe's "best four" earnings Supplemental Plan top-up pension

2%	x	2 years	x	$75,000 "Best four"	=	$3,000
Less						
2%	x	2 years	x	$74,000 "Best five"	=	$2,960
Equals Joe's "best four" Supplemental Plan lifetime top-up pension					=	**$40**

Two years of Supplemental Plan credited service gives Joe a top-up of **$40** on his future annual pension:

Primary Plan: Joe's lifetime pension plus bridge benefit to age 65*	$44,400
Supplemental Plan: Joe's top-up pension	+ $40
Joe's total pension to age 65	$44,440 per year
Primary Plan: Joe's lifetime pension from age 65**	$35,802
Supplemental Plan: Joe's top-up pension	+ $40
Joe's total pension from age 65	$35,842 per year

* Primary Plan: Joe's lifetime pension plus bridge benefit to age 65: 2% x 30 years of credited service x $74,000 = $44,400

** This assumes a bridge benefit of $8,598 (calculated using the 2008 five-year average CPP earnings limit of $42,460). For more about how we calculate an OMERS pension, visit OMERS website under Members/Details about your plan or see the *Your OMERS Pension* handbook.

Past service purchases

Past service is credited service in the Primary Plan earned before your Supplemental Plan coverage start date.

If you have past service available to purchase, a *Supplemental Plan past service purchase statement* with cost details is included with your personalized OMERS Supplemental Plan information package provided when your coverage is set up or upon request.

For the "best four" earnings benefit, purchasing past service may increase your total pension.

"Best four" earnings – example of past service purchase

In the previous example, Joe had 30 years of credited service, including two years of "best four" earnings Supplemental Plan credited service earned from the coverage start date (i.e., future service). Joe's "best five" earnings are $74,000. His "best four" earnings are $75,000.

The two years of Supplemental Plan credited service gave him a Supplemental Plan top-up of $40 on his future annual pension. If he purchases eight years of his 28 years of past service, his Supplemental Plan credited service would increase to 10 years. This would increase his Supplemental Plan top-up pension to **$200**:

Joe's "best four" Supplemental Plan top-up pension

2%	x	10 years	x	$75,000 "Best four"	=	$15,000
Less						
2%	x	10 years	x	$74,000 "Best five"	=	$14,800
Equals Joe's "best four" Supplemental Plan lifetime top-up pension					=	**$200 per year**

Tax considerations

When purchasing past service related to your Supplemental Plan "best four" earnings benefit, consider the following tax issues:

- If you're paying by cash, the purchase will lower your taxable income but there are restrictions – see "Tax Deductibility and Past Service Purchases" on page 39 for details.
- Past service purchases are subject to the ITA limits. If you have past service exceeding the maximum limit, details are included on the *Supplemental Plan past service purchase statement* section of your personalized OMERS Supplemental Plan information package.

Maximum pension limit

The ITA limits how much pension we can pay from OMERS Registered Pension Plans. In 2008, this limit is $2,333.33 per year of post-1991 service. The limit increases each year. When a benefit is paid, OMERS must ensure the total pension payable from the Primary Plan and Supplemental Plan is under this limit.

If the Primary Plan benefit is close to the limit, the Supplemental Plan can only provide a top-up to the limit. If the Primary Plan benefit is at the limit, there would be no pension payable from the Supplemental Plan. This is because the Supplemental Plan does not have an RCA to provide benefits for those members with earnings that generate a benefit that exceeds the ITA limit.

If there is no benefit payable, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the Supplemental Plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

Enhanced Factors (80/85 Factor) 6

This section is for members with the 80 Factor (normal retirement age 60 members) or 85 Factor (normal retirement age 65 members) Supplemental Plan benefit. The benefit you have coverage for is indicated on your personalized OMERS Supplemental Plan statement.

The 80 or 85 Factor replaces the 85 or 90 Factor respectively when determining any early retirement top-up pension. The benefit acts as a top-up – it pays the difference between the Supplemental Plan and the Primary Plan early retirement benefit for the period of supplemental service.

Who pays for my Supplemental Plan benefit?

From your coverage start date, you and your employer contribute equally for your benefit.

> **Exception:** For some leave periods, the member pays the total cost. For example, if a member is on an authorized leave of absence for a study period, the member pays the total contributions the member and the employer would have made during period. For more information on purchasing leaves, see *Your OMERS Pension* handbook available from your employer or visit the Members section at **www.omers.com**.

Future service contributions

Supplemental Plan contributions:

- are in addition to your Primary Plan contributions;
- are effective from the coverage start date of your Supplemental Plan benefit – if your coverage start date is retroactive, your employer will immediately deduct retroactive contributions;
- are paid on the same contributory earnings as your Primary Plan contributions.

> **Note**
> See the "Service" section on page 9 for the definition past and future service.

Your contributions to the Supplemental Plan lower your taxable income. Your employer reports your Supplemental Plan contributions along with your Primary Plan contributions to the Canada Revenue Agency (CRA) on a T4 slip each year.

The following chart shows member future service contribution rates for the enhanced Factors.

	Supplemental Plan contribution rate
80 Factor (members with a normal retirement age of 60)	0.95%
85 Factor (members with a normal retirement age of 65)	0.75%

Your employer normally pays a matching amount.

Contribution examples

The following are future service contribution examples for the 80 and 85 Factor benefits. Also included are the Primary Plan contributions and the total contributions.

80 Factor (members with a normal retirement age of 60)

In this example, we assume the member is paid every two weeks.			
Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000, per year ($1,923, per pay period)	$157.42	$18.27	$175.69
$70,000, per year ($2,692, per pay period)	$239.73	$25.57	$265.30
In this example, Primary Plan contributions are based on the 2008 Canada Pension Plan (CPP) earnings ceiling of $44,900 and 2008 contribution rates.			

85 Factor (members with a normal retirement age of 65)

In this example, we assume the member is paid every two weeks.			
Contributory earnings	Member's Primary Plan contributions every two weeks	Member's Supplemental Plan contributions every two weeks	Total member contributions every two weeks (Primary Plan + Supplemental Plan)
$50,000, per year ($1,923, per pay period)	$131.08	$14.42	$145.50
$70,000, per year ($2,692, per pay period)	$204.93	$20.19	$225.12
In this example, Primary Plan contributions are based on the 2008 CPP earnings ceiling of $44,900 and 2008 contribution rates.			

Eligible for an unreduced pension in the Primary Plan

When you qualify for an unreduced pension in the Primary Plan your Supplemental Plan contributions will stop – even if you are an active member in an employee class with Supplemental Plan coverage for the 80 or 85 Factor benefit. This is because there will be no Supplemental Plan 80 or 85 Factor benefit.

You qualify for an unreduced pension in the Primary Plan when:

- you have 30 years of service*;
- your age plus service* equal 85 or more if your normal retirement age is 60;
- your age plus service* equal 90 or more if your normal retirement age is 65; or
- you reach your normal retirement age.

* includes credited plus eligible service

Your Supplemental Plan contributions will stop even if you are too young to retire, i.e., you have not met OMERS minimum age requirement for early retirement.

The minimum age requirement for early retirement pension is:

- age 50 if your normal retirement age is 60; or
- age 55 if your normal retirement age is 65.

For example, your normal retirement age is 65 and your employer provides Supplemental Plan coverage for the 85 Factor for your employee class. If at age 52 you have 30 years of service, your Supplemental Plan contributions will stop even though the earliest age that you can retire is 55.

If there is no benefit payable when you retire or leave your employer, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

Limits affecting your Supplemental Plan contributions

***Income Tax Act* (ITA) maximum earnings limit**

If your annual salary is over the maximum pension earnings limit (e.g., the 2008 limit is $131,820.25, pro-rated per pay period), you will pay Supplemental Plan contributions only on the portion of earnings up to the limit. This is because the Supplemental Plan does not have a Retirement Compensation Arrangement (RCA) to provide benefits for those members with earnings exceeding the ITA limit.

Example:
Janice's 2008 annual contributory earnings are $140,000 and she is paid bi-weekly (26 pays per year or $5,384.61 per pay period). Since her annual earnings are over the 2008 limit, she will pay Supplemental Plan contributions only on earnings up to $5,070 ($131,820.25/26 pay periods).

> **Note**
> The maximum earnings limit affects only your Supplemental Plan contributions. The Primary Plan has an RCA for benefits exceeding the maximum earnings limit.

How are the enhanced Factor benefits calculated?

The 80 Factor (or 85 Factor if your normal retirement age is 65) replaces the 85 Factor (or 90 Factor if your normal retirement age is 65) when determining any early retirement top-up pension. This benefit is only available if you elect an early retirement pension immediately following your retirement – i.e., the first day of the month following the month you cease employment.

80 Factor (members with a normal retirement age of 60) – you have an 80 Factor when your age plus service (credited service plus eligible service) equals at least 80.

85 Factor (members with a normal retirement age of 65) – you have an 85 Factor when your age plus service (credited service plus eligible service) equals at least 85.

The top-up pension depends on your circumstances at retirement. You could retire with an unreduced pension earlier or with less of a reduction.

In some cases, there may not be a Supplemental Plan top-up pension. For example, in the following cases there would be no top-up pension:

- you leave your employer and you do not take an immediate early retirement pension;
- you are already entitled to an unreduced pension under the Primary Plan; or
- you retire on your normal retirement date.

If there is no benefit payable, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

80 Factor early retirement example

Jan's normal retirement age is 60, she is 57 and has 25 years of credited service, including two years earned under the 80 Factor Supplemental Plan benefit. Her "best five" earnings are $70,000.

Jan's age plus service
57 + 25 years of credited service = 82 points

Since Jan is three points away from the Primary Plan's 85 Factor, a 15% reduction (5% per point) is applied to her Primary Plan pension, i.e., she would receive 85% of her pension.

Jan's 82 points means that she has the Supplemental Plan 80 Factor and there would be no reduction to the pension associated with her two years of Supplemental Plan service.

Jan's 80 Factor earnings Supplemental Plan top-up pension

(2% x 2 years x $70,000) no reduction	= $2,800
Less	
(2% x 2 years x $70,000) x 85%	= $2,380
Equals Jan's 80 Factor Supplemental Plan lifetime top-up pension	= $420

Two years of Supplemental Plan credited service gives Jan a top-up of $420 on her future annual pension:

Primary Plan: Jan's lifetime pension plus bridge benefit to age 65*	$29,750
Supplemental Plan: Jan's top-up pension	+ $420
Jan's total pension to age 65	$30,170 per year
Primary Plan: Jan's lifetime pension from age 65**	$22,585
Supplemental Plan: Jan's top-up pension	+ $420
Jan's total pension from age 65	$23,005 per year

* Primary Plan: Jan's lifetime pension plus bridge benefit to age 65: (2% x 25 years of credited service x $70,000) x 85% = $29,750

** Assumes a bridge benefit of $7,165 (calculated using the 2008 five-year average CPP earnings limit of $42,460). For more about how we calculate an OMERS pension, visit OMERS website under Members/Details about your plan or see the *Your OMERS Pension* handbook.

Past service purchases

Past service is credited service in the Primary Plan earned before your Supplemental Plan coverage start date.

If you have past service available to purchase, a *Supplemental Plan past service purchase statement* with cost details is included with your personalized OMERS Supplemental Plan information package provided when your coverage is set up or upon request.

The additional Supplemental Plan pension you will receive as a result of a past service purchase will depend on when you retire and your circumstances at retirement.

80 Factor – example of past service purchase

In the example on page 28, Jan had 25 years of credited service, including two years of 80 Factor Supplemental Plan credited service earned from the coverage start date (i.e., future service).

The two years of Supplemental Plan credited service gave her a Supplemental Plan top-up of $420 on her future annual pension. If she purchases all 23 years of her Supplemental Plan past service, her Supplemental Plan credited service would increase to 25 years. This would increase her Supplemental Plan top-up pension to **$5,250**:

Jan's 80 Factor Supplemental Plan top-up pension

(2%	x	25 years	x	$70,000)	no reduction	=	$35,000
Less							
(2%	x	25 years	x	$70,000)	x 85%	=	$29,750
Equals Jan's 80 Factor Supplemental Plan lifetime top-up pension						=	$5,250 per year

Tax considerations

When purchasing past service related to your Supplemental Plan 80 or 85 Factor benefit, consider the following tax issues:

- If you're paying by cash, the purchase will lower your taxable income but there are restrictions – see "Tax Deductibility and Past Service Purchases" on page 39 for details.
- Past service purchases are subject to the ITA limits. If you have past service exceeding the maximum limit, details are included on the *Supplemental Plan past service purchase statement* section of your personalized OMERS Supplemental Plan information package.

Maximum pension limit

The ITA limits how much pension we can pay from OMERS Registered Pension Plans. In 2008, this limit is $2,333.33 per year of post-1991 service. The limit increases each year. When a benefit is paid, OMERS must ensure the total pension payable from the Primary Plan and Supplemental Plan is under this limit.

The enhanced Factors can improve an early retirement pension by replacing all or part of the early retirement reduction for the Supplemental Plan service. The improvement can only be paid on the benefit payable from the Primary Plan's Registered Pension Plan. The improvement cannot be paid on the RCA portion. This is because the Supplemental Plan does not have an RCA to provide benefits for those members with earnings that generate a benefit that exceeds the ITA limit.

If there is no benefit payable, the minimum value guarantee would apply and your Supplemental Plan contributions plus interest may be refunded. The minimum value guarantee ensures the total benefits paid from the Supplemental Plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

Retirement 7

Although retirement planning involves both your Supplemental Plan and Primary Plan benefits, your Primary Plan pension plays a bigger role – your Primary Plan benefit is larger and rules established in the Primary Plan can affect your Supplemental Plan benefit. In this section, we provide details specific to your Supplemental Plan benefit. For information on your OMERS Primary Plan pension, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan.

How is my Supplemental Plan benefit linked to my Primary Plan pension?

The Supplemental Plan benefit is designed to "top up" your pension payable from the Primary Plan. As a result, your retirement planning involves considering both benefits. For example:

- The age requirements for retirement are established by the Primary Plan.
- To begin receiving payments from the Supplemental Plan, you cannot be earning credited service in the Primary Plan either by working and contributing to the Primary Plan or on OMERS disability waiver of contribution benefit.
- If your Primary Plan pension is reduced and you have the 2.33% accrual rate, "best three" earnings, or "best four" earnings benefit your Supplemental Plan top-up pension is also reduced.

How do I request a Supplemental Plan pension estimate?

If you have Supplemental Plan coverage and you request a pension estimate, we'll automatically include details of both your Primary Plan and Supplemental Plan benefits in the estimate. You don't have to request a separate estimate for the Supplemental Plan.

Can I start my Supplemental Plan pension on a different day than my Primary Plan pension?

Yes, you may begin your Supplemental Plan pension earlier or later than your OMERS Primary Plan pension provided you are no longer accruing service in the Primary Plan. If you are accruing service in the Primary Plan, you cannot begin your Supplemental Plan pension. This applies even if your Supplemental Plan coverage has ended.

I've decided on a retirement date, what do I need to do?

If you are an active OMERS member and you have decided to retire, you must advise your employer. Your employer will complete and submit a pension application, *Form 143 - Request for an OMERS plan benefit*. This form advises OMERS that you are retiring and reports your final earnings, service and contributions.

OMERS will prepare and send you a personalized retirement election form (*Benefit application form*) that shows you how your Primary Plan and Supplemental Plan pensions are calculated. You must choose an option for both your Supplemental Plan and Primary Plan benefits, sign, and return the forms to OMERS, along with any supporting documents. We then process your pensions.

If you are an active member and you advise your employer that you are retiring, your employer will give you the **advance election option** for both your Supplemental Plan and Primary Plan pensions. The advance election option helps OMERS process your pensions more quickly.

When is my Supplemental Plan pension paid?

Like your Primary Plan pension, your Supplemental Plan pension is paid in equal instalments, deposited into your bank account on the first banking day of the month.

You will receive separate payments from the Primary Plan and Supplemental Plan and you will receive separate tax slips.

Minimum value guarantee

In some cases, there may be no pension payable from the Supplemental Plan. For example, a pension would not be payable from the Supplemental Plan in the following situations:

- You have the 80 Factor benefit (or 85 Factor benefit if your normal retirement age is 65) but you are already entitled to an unreduced pension in the Primary Plan – for details see Part 6 of this booklet.
- You have the "best three" or "best four" earnings benefit, but your "best three" or "best four" earnings are the same as or less than your "best five" earnings – for details see Parts 4 and 5 of this booklet.
- The total benefit payable from the Primary Plan and Supplemental Plan exceeds the *Income Tax Act* maximum pension limit – for details see "Maximum pension limit" in the benefit sections of this booklet.

If there is no pension payable from the Supplemental Plan, you are entitled to a refund of your Supplemental Plan contributions under the minimum value guarantee.

The minimum value guarantee ensures the total benefits paid from the plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

Excess contributions

If your Supplemental Plan contributions plus interest are greater than 50% of the commuted value of your Supplemental Plan benefit, we refund the excess to you. Contributions and pension earned with respect to any service purchases (for example, past service purchases) are excluded from this calculation – however, these contributions are included in the minimum value guarantee.

Options when Leaving Employment 8

You may leave your employer before you're eligible for a pension. This section covers the options that are available to you for your Supplemental Plan benefit.

What are my options if I leave my employer before I'm eligible for a pension?

If you leave your employer before you're eligible for a pension, you will receive a *Benefit application form* detailing options for both your Primary Plan and Supplemental Plan benefits.

Options for your Supplemental Plan benefit may include all or some of the following:

1. **Continued membership in the Supplemental Plan**
   If you go to work for an OMERS employer you can continue your Supplemental Plan coverage provided:
   - you are in a class of employees who have the same coverage with your new employer; and
   - you transfer your Primary Plan benefit to your new employer.

2. **Deferred option – keeping my Supplemental Plan pension with OMERS (except 80/85 Factor benefit)**
   You can keep your Supplemental Plan pension with OMERS as a deferred benefit. To begin drawing your Supplemental Plan pension you cannot be an active member with an OMERS employer.

Notes

- **Deferred option** – The 80/85 Factor top-up benefit is only available if the member takes an early retirement pension immediately following termination of employment. There is no top-up benefit if the 80/85 Factor benefit is deferred unless it is subsequently merged with the same Supplemental Plan coverage at the same or a different OMERS employer.
- **Excess contributions** – If your Supplemental Plan contributions plus interest are greater than 50% of the commuted value of your Supplemental Plan benefit, we refund the excess to you. Contributions and pension earned with respect to any service purchases (for example, past service purchases) are excluded from this calculation.

3. Transferring my commuted value

This option is available to you if you do not have active Supplemental Plan coverage in your new job and your employment ends on or before the end of the month in which you turn:

- 50 if your normal retirement age is 60; or
- 55 if your normal retirement age is 65.

You may choose to transfer the commuted (present day) value of your Supplemental Plan benefit to:

- a locked-in retirement account – this is done as a lump-sum payment to your financial institution; or
- a life insurance company to purchase an annuity (provides regular income payments to you upon retirement); or
- another pension plan that can accept the payment.

Notes

- **Excess contributions** – If your Supplemental Plan contributions plus interest are greater than 50% of the commuted value of your Supplemental Plan benefit, we refund the excess to you. Contributions and pension earned with respect to any service purchases (for example, past service purchases) are excluded from this calculation.
- **Supplemental Plan coverage** – This option is only available if you no longer have Supplemental Plan coverage. If you become employed in a position with Supplemental Plan coverage, the option to transfer the commuted value is no longer available to you.

4. Cash refund of Supplemental Plan contributions

You may elect a cash refund of your total Supplemental Plan contributions plus interest to your termination date provided that you are not locked in. See “When does my Supplemental Plan benefit become ‘locked-in’?” on page 8.

You may be entitled to a refund of member Supplemental Plan contributions under the minimum value guarantee. The minimum value guarantee ensures the total benefits paid from the plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

You may transfer a cash refund to your RRSP.

My new employer has Supplemental Plan coverage. How does this affect my ended coverage?

If your employee class at your new employer has coverage for any Supplemental Plan benefit, the benefit associated with your ended coverage must be kept in the Supplemental Plan until the earlier of:

- the date you no longer have Supplemental Plan coverage under your current membership;
- the date you leave your employer.

At the earlier of the above two dates, your employer will notify OMERS. At this time, OMERS will provide you with a *Benefit application form* detailing options for your Supplemental Plan benefit. Options for your Supplemental Plan benefit may include all or some of the four options listed previously. For details, see “What are my options if I leave my employer before I’m eligible for a pension?” on page 32.

This would also apply if your new position has no coverage but later your employer provides coverage for a Supplemental Plan benefit. When your new coverage begins (i.e., when you are re-enrolled in the Supplemental Plan), any benefit you still have in the Supplemental Plan that is associated with your ended coverage would have to be kept in OMERS until the earlier of the above two dates.

Moving to another Employee Class 9

You may move from one employee class to another employee class while working for an employer. This section covers how your Supplemental Plan benefit coverage is treated when you move to another employee class.

What happens to my Supplemental Plan benefit if I move to another employee class?

How your Supplemental Plan benefit is treated if you move to another class, e.g., you are promoted to a management position, depends on the Supplemental Plan coverage that you have in your new position.

Coverage for the same benefit
If you move to an employee class that has coverage for the **same** Supplemental Plan benefit as your previous position, your membership in the Supplemental Plan will continue.

No Supplemental Plan coverage
If you move to an employee class with **no coverage** this is considered a "deemed termination of employment" for your Supplemental Plan benefit only. Your employer will notify OMERS. At this time, OMERS will provide you with a *Benefit application form* detailing options for your Supplemental Plan benefit.

Coverage for a different benefit
If your new position has Supplemental Plan coverage for a **different** Supplemental Plan benefit, the benefit associated with your ended coverage must be kept in the Supplemental Plan until the earlier of:

- the date you no longer have any Supplemental Plan coverage under your current membership;
- the date you leave your employer.

At the earlier of the above two dates, your employer will notify OMERS. At this time, OMERS will provide you with a *Benefit application form* detailing options for your Supplemental Plan benefit.

This also applies if your new position has no coverage but later obtains coverage for a Supplemental Plan benefit. Any benefit you still have in the Supplemental Plan that is associated with your ended coverage would have to be kept in OMERS until the earlier of the above two dates.

Inflation Protection and Disability Benefits 10

The Supplemental Plan includes inflation protection and disability benefits. These benefits are established in the Primary Plan and carried over to the Supplemental Plan.

Is my Supplemental Plan benefit protected against inflation?

Yes, the Supplemental Plan has the same inflation protection as the Primary Plan. Each year, OMERS increases all pensions by 100% of the Consumer Price Index (CPI) – up to a maximum of 6%.

OMERS pensions are increased each year on January 1. This increase is pro-rated for pensions that began within the previous year.

Inflation protection also applies to the following for both the Supplemental Plan and Primary Plan:

- If you leave employment and choose to keep your pension with OMERS we will increase your deferred benefit;
- If you continue to earn pension on a disability waiver, we will increase the earnings used to calculate your Supplemental Plan and Primary Plan pension. This increase is the lower of the annual increase in the Average Industrial Wage or the CPI.

For information on how we calculate the annual inflation increase, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan.

What happens if I can no longer work?

The Primary Plan has disability benefits. These disability benefits also apply to your active Supplemental Plan coverage.

Disability waiver (earn pension while on disability)
If you become totally disabled, you may continue to earn OMERS credited service while you remain disabled, without paying OMERS contributions. This is called a "disability waiver of contribution" and applies to both your Supplemental Plan and Primary Plan benefits if you have active coverage for a Supplemental Plan benefit.

Example:
Tammy has the "best three" earnings benefit and becomes totally disabled. While on OMERS disability waiver:

- Tammy will not pay Supplemental and Primary Plan contributions;
- she will continue to earn credited service in the Primary Plan; and
- she will also earn credited service in the Supplemental Plan for the "best three" earnings benefit.

Disability pension

If you become totally and permanently disabled and are eligible for a disability pension in the Primary Plan, the eligibility is extended to your Supplemental Plan benefit. If you elect a disability pension in the Primary Plan, it is deemed that you have elected a disability pension in the Supplemental Plan.

> **Note**
> For OMERS definition of totally disabled and totally and permanently disabled and for more details on OMERS disability pension, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan.

Survivor Benefits and Separation/Divorce 11

Supplemental Plan survivor benefits are treated and paid separately from the survivor benefits in the Primary Plan.

Survivor benefits

How do the Supplemental Plan survivor benefits work?

The rules and definitions for Supplemental Plan survivor benefits are consistent with the Primary Plan.

This means:

- For both the Supplemental Plan and Primary Plan, a survivor benefit is payable, in order of entitlement, to your:
  - eligible spouse; and/or
  - eligible dependent children; or
  - beneficiaries; or
  - your estate.

Note
These rights to survivor benefits are legislated – a will or court order cannot change them.

- The definitions for eligible spouse or partner and eligible dependent child are the same in both plans.
- An eligible survivor is entitled to the same type of benefit in both plans. For example, a spousal pension in the Primary Plan is $66^2/_3$% of the member's lifetime pension. A spousal pension in the Supplemental Plan is also $66^2/_3$% of the member's Supplemental Plan lifetime pension.
- The survivor benefit from the Supplemental Plan is paid separately from the Primary Plan. A spouse receiving a spousal pension from both the Primary Plan and Supplemental Plan will receive two pension payments and two separate tax slips.

For more information on OMERS survivor benefits, including the definition of eligible spouse or partner and eligible dependent children, see *Your OMERS Pension* handbook available from your employer or visit OMERS website under Members/Details about your plan.

Will I have the same survivor for my Supplemental Plan benefit as I have for my Primary Plan benefit?

It depends on your situation and who is entitled to the survivor benefit.

Beneficiary
You can designate the same beneficiary or different beneficiaries – it's up to you. To designate a beneficiary for the Supplemental Plan, submit a beneficiary designation form (available at **www.omers.com**).

Eligible spouse or children

If the survivor is an eligible spouse or child(ren), in most cases the survivor or survivors would be the same. The exception is a post-retirement survivor pension where the member was married before retirement and the following occurs:

- the pension start dates for the Primary Plan and Supplemental Plan are different (i.e., there are two retirement dates); and
- the member's marital status is not the same on the two retirement dates.

In this situation, there could be different spousal survivors – for example, two different spouses, or a spouse for one benefit and a child or beneficiary for the other. The reason is that the retirement-date spouse or partner is first in line for the post-retirement survivor benefit.

For more information on OMERS survivor benefits, including the definition of retirement-date spouse, see *Your OMERS Pension handbook* available from your employer or visit OMERS website under Members/Details about your plan.

Excess contributions

If you die before retirement and your Supplemental Plan contributions plus interest to your date of death are greater than 50% of the commuted value of your Supplemental Plan benefit, we refund the excess to your **beneficiary** or **estate**, regardless of the survivor benefit paid from the Supplemental Plan. Contributions and pension earned with respect to any service purchases are excluded from this calculation.

Minimum value guarantee

It's possible that there is no survivor pension payable from the Supplemental Plan. For example, a pension would not be payable from the Supplemental Plan if the benefit was the 80 or 85 Factor benefit for early retirement.

If there is no pension payable from the Supplemental Plan, your beneficiary or estate is entitled to a refund of Supplemental Plan contributions under the minimum value guarantee. The minimum value guarantee ensures the total benefits paid from the plan (to you or on your behalf) will be at least equal to your Supplemental Plan contributions plus interest, minus any benefits previously paid.

Separation and divorce

According to family law, pension benefits are considered property – assets that may be divided after a marriage or common-law relationship ends. This applies to both the Supplemental Plan and Primary Plan benefits. For more information on marriage breakdown and your OMERS pension, visit OMERS website under Members/Details about your plan or see *Your OMERS Pension* handbook available from your employer.

Tax Deductibility and Cash Purchases of Past Service 12

This section covers tax deductibility information for cash purchases of past service. If you are transferring funds from an RRSP to purchase past service, these funds are already tax sheltered and the tax deductibility rules do not apply.

Only details on tax deductibility are included in this section. For the definition of past service and details on purchasing service, see the "Service" section or the applicable benefit section of this booklet.

Tax deductibility

The following chart summarizes tax deductibility rules if you pay cash to buy past service. If you have purchasable past service, the personalized *Supplemental Plan past service purchase* statement included with your OMERS Supplemental Plan information package or available upon request, will specify what service category your service falls into.

Type of service	Maximum deduction	Deduction amount in each tax year
Pre-1990 service – while a contributor i.e., the purchased period occurred in a calendar year during which the member made a contribution to a registered pension plan – other than Canada Pension Plan (CPP) (see the second note on the next page)	Total cost	The lesser of: • The amount actually paid by the member (or amount carried forward); and • $3,500.00 less the sum of: - the amount deducted in that year for OMERS current service contributions and post-1989 past service purchases; and - the amount deducted in that year for OMERS past service contributions while not a contributor. Any amount not deducted in a year may be carried forward to a future year.

Type of service	Maximum deduction	Deduction amount in each tax year
Pre-1990 service – while not a contributor i.e., the purchased period occurred in a calendar year during which the member did not make a contribution to a registered pension plan – other than CPP (see the second note below)	Lesser of: • Cost of the service; or • $3,500.00 times the number of calendar years (whole or part years) a member is purchasing **Example**: Chris worked from July 1981 to June 1985 and did not contribute to an RPP in any of those years. Chris has 5 calendar years and the maximum deduction would be $3,500 x 5 years = $17,500.	$3,500.00 maximum in each tax year Any amount not deducted in a year may be carried forward to a future year.
Post-1989 service	Cost of the service (For the 2.33% benefit only, a Past Service Pension Adjustment [PSPA] must be approved – see page 15.)	Cost of the service is deductible in the year it is paid (For the 2.33% benefit only, a PSPA must be approved – see page 15.)

Notes

- To purchase past service in the Supplemental Plan, the service must first be purchased/credited in the Primary Plan.
- The service retains its characteristics from the initial Primary Plan purchase. For example, if the member purchased past service in the Primary Plan and that service was "while not a contributor," the service would retain its original "while not a contributor" status when purchased in the Supplemental Plan. If a member has regular credited service in the Primary Plan, this would all be considered "while a contributor service" when it is purchased in the Supplemental Plan.

How to Reach Us 13

If you have questions about the Supplemental Plan, visit OMERS website at **www.omers.com**.
Or, you can reach us by:

Phone
Monday to Friday, 8:00 a.m. to 5:00 p.m.
416-369-2444
1-800-387-0813

Fax
416-369-9704
1-877-369-9704

Mail
One University Ave.
Suite 800
Toronto ON M5J 2P1

E-mail
client@omers.com

Where to get information about the Supplemental Plan?

The following is some of the other information available from OMERS:

Supplemental Plan (Police, firefighters, paramedics) section at www.omers.com – in this section you'll find more information about the Supplemental Plan, including worksheets and example calculations for past service purchases.

Pension estimate – a projected statement of the pension you can expect to receive at your planned retirement date. If you have active Supplemental Plan coverage, we automatically include estimates for both your Primary Plan and Supplemental Plan pensions when you request an estimate.

Pension Report – a personalized report we provide each year, that brings you up-to-date with your contributions, earnings and service for the past year. If you have active coverage in the Supplemental Plan, you will receive one *Pension Report* for both your Supplemental Plan and Primary Plan benefits. If your Supplemental Plan coverage has ended and you still have contributions and credited service in the Supplemental Plan, you will receive a separate *Pension Report*.