An exclusive retirement savings opportunity for OMERS members

Additional Voluntary Contributions: Consider the AVC Option

get ready. for life.

Important!

This guide provides important information for OMERS members about contributing to the Additional Voluntary Contribution provision (AVC provision) of the OMERS Primary Pension Plan and should be read carefully before you decide to contribute to an AVC account. The information in this guide is not intended to provide advice on whether Additional Voluntary Contributions are suitable for any particular member. OMERS members are encouraged to consult a qualified financial adviser.

The Terms of Participation attached to this guide provide a summary of the rules and terms of the AVC provision and should also be read carefully by you and, where applicable, your spouse. The legal documents which implement the AVC provision contain carefully drafted terms with precise meanings. If any statement made in this guide is inconsistent with a provision of the legal documents which implement the AVC provision, the legal documents which implement the AVC provision must be followed and will prevail in all cases.

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

Your information is secure

Providing OMERS with your personal information is considered consent for its use and disclosure for the purposes set out in our Privacy Statement, as amended from time to time. You can find out more about our collection, use, disclosure and retention of personal information by reviewing our Privacy Statement at omers.com.

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Table of contents

Consider the AVC Option

Your guide to Additional Voluntary Contributions (AVCs)

Note: The AVC option is only available to members who reside in Canada.

OMERS comes with benefits

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

Benefit from OMERS solid investment management

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

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

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

When you contribute to an AVC account, you're investing in the OMERS Fund. Its globally diverse asset mix includes public and private market investments.

The OMERS Fund is managed by some of the most talented investment professionals in the business. Their approach to investing the Fund of diversified global assets has a single purpose – to earn superior returns without taking undue risk.

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

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

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

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

Comparing AVCs to RRSP investments – some similarities, differences

Features	AVCs	RRSP investments
Eligibility	Exclusive to OMERS members	Widely available
Tax-deductible contribution in the year it is made*	Yes	Yes
Contributory limit	Yes	Yes
Tax-deferred	Yes	Yes
Transfers from other retirement savings accounts (e.g., RRSP)	Yes	Yes
Withdrawal while contributing to an OMERS pension	Limited to a maximum of 20% per year, subject to a minimum $500. Must be done during the March/April withdrawal window.**	No limit
The option to fully withdraw or transfer funds at retirement or if you leave your OMERS employer	Yes	Yes
Fees and expenses	On a cost-recovery basis. The investment management component is a percentage calculated annually and deducted from the rate of return; the administration component is a small annual fee.***	Fees will vary
Special withdrawal programs (e.g., Home Buyers' Plan, or the Lifelong Learning Plan)	Unavailable	Available
Non-locked-in funds	Can remain in your account past the year you turn 71 through the AVC Income Option.	Both locked-in and non-locked in funds must be transferred to a registered retirement income fund, used to purchase an annuity, or paid out in a lump sum by the end of the year you turn 71.
Locked-in funds	The full balance must be withdrawn by October 31 of the year you turn 71.	

*Not deductible if transferred from registered vehicle.

**If you're an active member in the year you turn 71, you can withdraw up to 100% of your account balance in the March 1 to April 30 withdrawal window.

***For a description of the AVC administration fee, please refer to the *AVC Fact Sheet*.

Does an AVC account fit with your plans?

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

- adequate cash flow
- an interest in investing in an actively managed, balanced, diversified global fund
- mid-to-long-term investment horizon – this is a time frame of at least 5 to 15 years and is generally considered appropriate for retirement savings
- moderate risk tolerance – there is the potential for a negative return (loss) in any given year.

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

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

Did you know?

Details concerning AVCs are found in the Terms of Participation attached to this guide, and important financial information can be found in the *AVC Fact Sheet*.

Build on your Plan

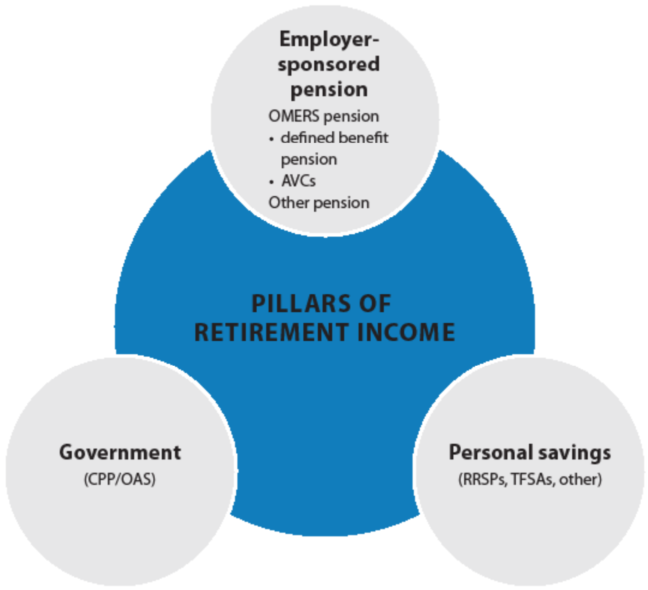
Your AVC account benefits from OMERS internationally diversified Fund, its expertise, and its long-term strategy to generate the consistent returns needed to meet the pension promise.

The three pillars of retirement income

You can think of retirement income as three separate but related pillars. The first is your employer-sponsored pension, which includes the OMERS Plan. AVCs are part of the OMERS Plan, but separate from your OMERS pension – a defined benefit pension based on your average "best five" years of contributory earnings and your years of credited service in the OMERS Plan. AVCs are optional and one way to build your retirement savings.

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

The third pillar represents personal savings and assets. These may include RRSPs and other registered retirement savings plans, a TFSA and other investments that can provide additional income during retirement.



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

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

As with many other investments, such as mutual funds, there are no guarantees that AVCs will always generate positive returns. In fact, AVCs may experience negative returns from time to time.

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

Important financial information

For more information on the following topics, please see the *AVC Fact Sheet* available online at omers.com:

- OMERS investments
- OMERS Fund performance
- AVC account fees and expenses
- Risk tolerance.

Contribution options

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

Who can contribute

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

Active members	Retired and deferred members
Includes those: • currently contributing to the OMERS Plan • on a disability waiver • on an authorized leave of absence • employed beyond 35 years of credited service.	Includes those: • currently receiving an OMERS pension • no longer with an OMERS employer but kept their pension with OMERS.

*Only members who reside in Canada can make automatic contributions or fund transfers to an AVC account. Note that if you become a non-resident of Canada, your funds can stay in your AVC account but no further funds can be added.

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

Automatic contributions

If you're an active member, you can make regular contributions to your AVC account to the end of the year you turn 70 by:

- pre-authorized debit from your bank account either every two weeks or monthly; or
- monthly payroll deductions if your employer offers the AVC payroll deduction option.

Using the myOMERS secure member access site, you can start, stop or modify contributions at any time.

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

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

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

Your automatic contributions are tax-deductible and begin to earn the OMERS Fund rate of return, less investment management expenses, from the date they are deposited by OMERS.

Automatic contribution limits established by OMERS

For the current automatic contribution limits, visit omers.com.

Catch-up payments

If you are making automatic contributions, you can make payments to catch up on your automatic contributions for the year. You may be able to make a payment if you started automatic contributions partway through the year or if you haven't been contributing your biweekly or monthly maximum for automatic contributions.

Your maximum catch-up payment takes into account your annual limit, prorated by the number of months you've been eligible to make automatic contributions, as well as any automatic contributions you've already made throughout the year. Your maximum amount is calculated each time you apply to make a catch-up payment. The minimum catch-up payment that can be made is $20.

Catch-up payments must be received and deposited in the same calendar year and can be made online through myOMERS or by completing a paper form available online at omers.com.

Did you know?

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

Fund transfers to an AVC account

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

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

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

Two ways to grow an AVC account

	Automatic contributions	Fund transfers to an AVC account
Who	Active members	Active, deferred and retired members
How	Pre-authorized debit from your bank account or payroll deduction via your employer*	From registered retirement vehicles, such as an RRSP, a locked-in retirement account (LIRA) or another registered pension plan
When	On a monthly or biweekly basis throughout the year to the end of the year you turn age 70 (biweekly is available for pre-authorized debit only)	Any time throughout the year to the end of the year you turn age 70
Conditions	Subject to pension adjustment (PA) limits and a minimum contribution of $20 biweekly or $40 monthly	No minimum or maximum imposed by OMERS, and must come from a registered retirement savings vehicle, or registered pension plan

*OMERS employers can choose to offer the AVC payroll deduction option.

Withdrawal options

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

Your options when withdrawing from an AVC account

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

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

*If you're an active member in the year you turn 71, you can withdraw up to 100% of your account balance in the March 1 to April 30 withdrawal window.

Did you know?

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

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

Partial withdrawal	Maximum 20% of the prior year-end AVC account balance subject to a minimum of $500.
Full withdrawal	If partial withdrawals are made in each of four consecutive years, the 20% limit does not apply in the fifth consecutive year. In the fifth year, you can withdraw up to your entire account balance (excluding current year contributions). In the year you turn 71, you can withdraw up to 100% of your account balance.
Withdrawal window	March 1 to April 30
Non-locked-in funds in an AVC account	Can be taken as cash, less withholding tax, or transferred tax-deferred to an RRSP, a registered retirement income fund (RRIF) or another registered pension plan.
Locked-in funds in an AVC account	Can be transferred only to a locked-in arrangement, such as a LIRA or a locked-in provision under a registered pension plan.

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

OPTION 1: Withdraw all or some of the funds in your AVC account	• You may withdraw all or some of the funds in your AVC account within the first six months* after retirement, or upon leaving your OMERS employer if you keep your pension with OMERS.** After that, you can withdraw all or some of the funds during the March/April window. • Withdrawals are subject to a minimum of $500. • Non-locked-in funds in your AVC account may be withdrawn as cash, less withholding tax. • Up to the year you turn 71, non-locked-in and locked-in funds in your AVC account may be transferred to another registered retirement savings vehicle, tax-deferred, or used to purchase an annuity.
OPTION 2: Keep your AVC account (if you keep your pension with OMERS)	• You can keep the funds in your AVC account. • Non-locked-in funds can remain in your account past the year you turn 71 through the AVC Income Option. • The full balance of locked-in funds must be withdrawn by October 31 of the year you turn 71.

* The withdrawal period cannot extend beyond October 31 of the year you turn 71.
** If you leave your OMERS employer and transfer your defined benefit pension out of OMERS, you must withdraw the full balance of your AVC account.

Did you know?

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

When full withdrawal from an AVC account is mandatory

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

- if you terminate your membership in the defined benefit provision of the OMERS Plan and transfer out the value of your pension
- if you use the shortened life expectancy provision of the OMERS Plan.

In addition, you must withdraw or transfer the full balance of any locked-in funds by October of the year you turn 71.

AVC Income Option

Non-locked-in funds can remain in your AVC account past the year you turn 71 through the AVC Income Option.

What are non-locked-in and locked-in retirement vehicles?

	Description	Features
Non-locked-in	Includes funds in RRSP accounts.	Funds can be withdrawn as cash or up to the year you turn 71, transferred to another registered retirement savings vehicle. Restrictions apply and cash withdrawals are subject to withholding tax.
Locked-in	Includes a LIRA – funds in a locked-in retirement account are typically accumulated pension benefits from another plan.	Funds in a locked-in account typically cannot be accessed until age 55, and must be used to purchase a life annuity or transferred to a life income fund (LIF) or another LIRA.

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

1. Automatic contributions to an AVC account are non-locked-in. Subject to withdrawal-window restrictions, non-locked-in funds can be withdrawn from an AVC account as cash up to the year you turn 71, or transferred to another retirement savings vehicle. Amounts withdrawn as cash are subject to withholding tax.
2. Funds transferred from non-locked-in (e.g., RRSP) or locked-in (e.g., LIRA) registered retirement savings accounts do not change their form while in an AVC account. In other words, if the retirement savings are locked-in when the funds are transferred to an AVC account, they remain locked-in when the funds are transferred out.
3. Unless you tell us otherwise, non-locked-in funds in an AVC account are withdrawn or transferred first, followed by locked-in funds.

Did you know?

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

AVC Income Option

In response to requests from members, we've introduced an option to keep non-locked-in funds in your AVC account beyond the year in which you turn age 71. We call this part of the AVC provision the "AVC Income Option."

The AVC Income Option is easy and seamless

The AVC Income Option brings three important changes to your AVC account:

- You are no longer required to transfer non-locked-in funds out of your AVC account by the end of the year in which you turn age 71. Any non-locked-in funds that you have in your AVC account on December 31 of the year you turn age 71 will remain in your AVC account, and your participation in OMERS AVCs will continue.
- You must withdraw a minimum amount each year starting with the year you turn age 72. This withdrawal, which we call the "income amount," is required under the *Income Tax Act* and must be paid in cash.
- Optional withdrawals during the withdrawal window must be made in cash after the year you turn age 71. Fund transfers to another savings arrangement are no longer available.

Aside from these changes, the same features of an AVC account continue to apply, such as the application of the OMERS Fund rate of return and the ability to make optional withdrawals during the withdrawal window.

With the AVC Income Option, you can keep funds in your AVC account for your lifetime, provided you withdraw at least the minimum each year.

Annual minimum withdrawal

Each year after you turn age 71, you must withdraw at least the income amount from your AVC account.

The income amount starts at around 5% of your AVC account balance at age 72 and peaks at 20% at age 95 and beyond. The age-based percentage is applied to the balance of your AVC account at the start of the year. The income amount is calculated using the formula set out in the *Income Tax Act* and will be shown on your *AVC Annual Statement* that is produced at the end of February each year.

How the income amount works

If, during the annual March 1 to April 30 AVC withdrawal window, you:	Then:
Do **not make an optional withdrawal** from your AVC account.	OMERS will automatically withdraw the greater of your income amount or the $500 minimum and pay it to you in June.
Make an **optional withdrawal** from your AVC account that is less than the income amount.	OMERS will automatically withdraw the difference between the two amounts from your AVC account and pay it to you in June.
Make an **optional withdrawal** from your AVC account that is equal to or greater than the income amount.	OMERS will take no further action – an additional withdrawal is not required.

Cash withdrawals are subject to withholding tax.

Visit omers.com for the percentage of your AVC account that you must withdraw by age and sample cases.

Upon a member's death

Your eligible spouse is entitled to a refund of the full balance of your AVC account.

In the event of your death (before or after retirement)

Your surviving spouse is entitled to receive a refund of the balance of your AVC account, provided you were not living separate and apart on the date of your death and your surviving spouse did not waive his or her entitlement. Your spouse can take the refund in cash or transfer it to a registered retirement vehicle.

If you do not have an eligible surviving spouse, your designated beneficiary would receive the refund. If you do not have a spouse or a beneficiary, the refund will be paid to your estate. For details concerning your AVC account in the event of death, including a description of surviving spouse, please consult the Terms of Participation attached to this guide.

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

Getting started

The material in this guide and at omers.com is aimed at helping you make an informed decision about contributing to an AVC account.

Tools to help you decide

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

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

- your OMERS membership or reference number (printed on your pension information); and
- the last three digits of your social insurance number.

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

Did you know?

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Visit omers.com and assess your understanding of AVCs with the self-assessment quiz.

Other resources

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

Getting started with AVCs

Arrange your AVC account online or by mail

Set up your account through myOMERS which also gives you safe and secure access to view your pension information, estimate your retirement income, manage your AVC account and more.

If you're not already registered for myOMERS, you'll need to do this before you can contribute to an AVC account. You will need your OMERS membership or reference number (listed on any personalized document from OMERS) and the last three digits of your social insurance number to register.

Or, you can contribute to an AVC account by completing the AVC registration form, available on OMERS website.

Active members can make automatic contributions to an AVC account by pre-authorized debit or payroll deduction if your employer has elected to offer the AVC payroll deduction option. Payroll deductions are set up through myOMERS or by mail, not through your employer. Both active and retired members can transfer funds from registered retirement vehicles.

OMERS Primary Pension Plan Additional Voluntary Contribution Provision 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 (or 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;
- 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 to April 30 during each calendar year.

ELIGIBILITY

1. There are two types of contributions that may be made under the AVC Provision:

   (a) periodic contributions[1]; and

   (b) lump-sum transfers[2].

2. Catch-up payments may also be made under the AVC Provision.
3. An Active Member may make 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. A Member who resides outside of Canada is not permitted to make any contributions (periodic contributions, catch-up payments or lump sum transfers) to his or her AVC Account.
6. Employers are not permitted to make contributions under the AVC Provision.

[1] Please note that "periodic contributions" are referred to as "automatic contributions" in the "Consider the AVC Option" guide.

[2] 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 pre-authorized 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. Prepaid 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 biweekly 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. 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 a 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 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 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 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:

   (a) if he or she has continuously withdrawn funds from his or her AVC Account during each of the four previous Withdrawal Windows; or

   (b) in the calendar year he or she attains 71 years of age.

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 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 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.

3. Notwithstanding the rules in paragraphs 1 and 2 above, if an Active Member or Dual Member, as applicable, ceases to be employed in the year he or she attains 71 years of age, the six-month withdrawal period referred to in paragraphs 1 and 2 above to elect to withdraw all or a portion of his or her AVC Account Balance does not extend beyond October 31 of the year he or she attains 71 years of age.

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 31 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 31 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"[3] 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 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.

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[3] Please note that the "ITA Amount" is referred to as the "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 1 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. 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 +1 416.369.2444 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 setup, 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) 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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