

GLOSSARY OF PENSION AND ECONOMIC TERMS

Actuary	A professional in the pension area who is responsible for calculating the liabilities of pension plans and the costs of providing pension plan benefits. In Canada, a person must be a member of the Canadian Institute of Actuaries (CIA) to be recognized as a professional actuary.
Alpha	Alpha is defined as the difference between a stock's or portfolio's actual performance and what would have been expected, given the risk of a stock or portfolio relative to the overall market (see Beta). It is a term often used to refer to an investment manager's skill in adding value relative to market returns.
Amortization	The deduction of capital expenses over a specific period of time.
Annuity	A contract purchased from an insurance company to provide periodic (usually monthly) payments to a person for his or her lifetime.
Arbitrage	Arbitrage is the simultaneous purchase and sale of a security in order to profit from a differential in the price, usually on different exchanges or marketplaces.
Asset	Assets are cash, accounts receivable, inventory, real estate, and securities – anything of value that a corporation owns. In a pension fund context, the cash and securities held to fund future payments to retired or terminated members.
Asset Allocation	The division of an investment portfolio among major asset categories, such as bonds, common stocks or cash, usually to balance risk and reward appropriate for an investor's time horizon (i.e., how long before the investment portfolio will be needed to be liquidated).
Bank Rate	The minimum lending rate of the Bank of Canada. It is applied to advances to institutions that are members of the Canadian Payments Association, and to purchase and resale transactions with key investment dealers in the money market. It is also the primary indicator of Bank of Canada monetary policy. The bank rate is an important tool because it is seen as the trendsetter for other short-term interest rates. Changes in the bank rate often lead to changes in the prime rate, which is the rate of interest that commercial banks charge their lowest-risk customers. Other rates can be affected including those for mortgages, cars and business loans, as well as rates paid to savers on deposits and investment certificates.
Basis Point	One basis point is 1/100th of one percent (0.01%).
Bear Market	A bear market is an extended period of falling prices in the overall market.
Beta	A measure of the degree to which a stock or portfolio value changes in relation to its asset class. For example, if the beta of a U.S. equity portfolio is less than 1.0 relative to the S&P 500 index, it is considered less volatile than the index.
Blue Chip Stock	Stock in a well-established, financially-sound and stable company that has a very good record of paying dividends.

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Bond	A bond is a promise made by the government or a corporation to repay funds loaned by investors at a specific rate by a specific date. (See also <i>yield, coupon rate, credit rating, duration, yield curve.</i>)
Book Value	Usually Book Value Per Share. Calculated by dividing the Net Worth of a Company (common stock plus retained earnings) by the number of shares outstanding. This is the accounting value of a share of stock, the value of the company's assets a shareholder would theoretically receive if a company were liquidated.
Bridge Benefit	A bridge benefit usually provides income from the date the member takes early retirement to the date when the member is entitled to receive Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) retirement benefits and/or Old Age Security (OAS) benefits.
Broker	An individual or company that charges a fee or commission for buying and selling securities.
Bull Market	A bull market is an extended period in which the market consistently rises.
Canada Pension Plan (CPP)	<p>The CPP provides an individual or his/her dependents with some financial protection if the individual becomes disabled, or when they retire or die. The amount of CPP benefits depends on how much and for how long the individual contributes to the plan. The CPP operates in every province and territory except Quebec, which has a similar pension program, the Quebec Pension Plan (QPP).</p> <p>The maximum benefit under CPP is 25% of career average earnings up to the average industrial wage set annually. Unlike OAS and GIS, the CPP is not income-tested. Spouses receive 60% of their partner's benefit if they do not receive other CPP benefits.</p> <p>Given that the initial intent of CPP was to help people without a workplace plan, many pension plans integrate their benefit formulae and target income replacement payouts with CPP benefits. To keep pace with inflation, benefits from these plans are indexed to the Consumer Price Index and adjusted annually.</p>
Capital	Cash or goods accumulated and available for use in producing more cash or goods.
Capital Gain	The profit made when a security is sold for greater than its original cost basis.
Capital Loss	A capital loss occurs when the security is sold for less than its cost basis.
Capital Market	The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded.
Cash Dividend	A dividend paid in cash to a corporation's shareholders. The amount is normally paid from a company's profits and is taxable as income to the shareholders.

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Cash Flow	The amount of cash a company generates during a period, calculated by adding non-cash charges (such as depreciation) to net income after taxes. Cash Flow Per Share is calculated by dividing the Cash Flow by the number of outstanding shares, and is sometimes used in lieu of Earnings Per Share in analyzing a company. Cash Flow can be used as an indication of a company's financial strength.
Commission	The fee paid to a broker to buy or sell securities. A commission increases the tax basis of the purchased security (thereby reducing the eventual capital loss or gain). Commissions vary widely from broker to broker.
Common Stock/Shares	The units of ownership of a public corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock.
Commuted Value	Present value of a future series of payments that will fulfill a pension obligation. The higher the interest rate, the lower the amount required. In addition, the further into the future the money is paid out, the lower the commuted value.
Consumer Price Index (CPI)	Measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a "shopping basket" of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is "weighted," meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.
Contribution Holiday	Reducing or eliminating current deposits in a pension fund by drawing on surplus assets in the fund.
Cost-of-Living Adjustment (COLA)	Across-the-board increase (or decrease) in payments according to the rise (or fall) in the cost of living as measured by an index such as a consumer price index.
Coupon Rate	The rate of interest paid on the principal of a bond (by coincidence, it is the yield if the market price of a bond is equal to its par value).
Credit Rating	A measure of the credit worthiness of the issuer of a bond as viewed by one or more rating firms. AAA is the best rating and BBB is the lowest rating usually acceptable for pension funds. Bonds rated below BBB are non-investment grade, often called high yield bonds.
Credit Splitting	Provision in a pension plan or legislation entitling a spouse, on divorce or breakup, to a share of pension credits earned by the other during the marriage or thereafter. Also referred to as a division of pension credits.

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Currency Appreciation	An increase in the value of one currency relative to another currency. Appreciation occurs when, because of a change in exchange rates, a unit of one currency buys more units of another currency.
Currency Depreciation	A decrease in the value of one currency relative to another currency. Depreciation occurs when, because of a change in exchange rates, a unit of one currency buys fewer units of another currency.
Currency Devaluation	A deliberate downward adjustment in the official exchange rate established, or pegged, by a government against a specified standard, such as another currency or gold.
Current Assets	Appears in a company's balance sheet, representing cash, accounts receivable, inventory, marketable securities, prepaid expenses and other assets that can be converted to cash within one year.
Current Liabilities	Appears on a company's balance sheet, representing amounts owed for interest, accounts payable, short-term loans, expenses incurred but unpaid and other debts due within one year.
Debt/Equity Ratio	A measure of a company's financial leverage, calculated by dividing long term debt by shareholder's equity. A higher debt/equity ratio generally means that a company has been aggressive in financing growth with debt, which can result in volatile earnings as a result of the additional interest expense.
Defined Benefit (DB) Plan	<p>A pension plan that defines the pension benefit to be provided based on years of plan membership, average earnings, etc., in accordance with the terms of the plan.</p> <p>Employee retirement plan established and maintained by an employer that uses a predetermined formula to calculate the amount of an employee's retirement benefits. Factors such as earnings and years of service are often part of the formula. Employer contributions to DB plans are determined actuarially. No individual accounts are maintained, as is done for money purchase plans.</p>
Defined Contribution Plan (also referred to as Money Purchase Plan)	A pension plan that defines the amount of employer and employee contributions to the pension fund, determined on an individual account basis. Also known as a money purchase plan. The benefit the member will receive on retirement is calculated at the date of retirement and is based on accumulated contributions and investment income.
Depreciation	An expense recorded regularly on a company's books to reduce the value of a long-term tangible asset. Since it is a non-cash expense, it increases free cash flow while decreasing the amount of a company's reported earnings.

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Derivative	<p>A security, like an option or future, whose value is derived from another underlying security.</p> <p>Financial contract with a value derived from the value of an underlying asset (e.g., bonds, commodities, stocks, residential mortgages, commercial real estate, loans), an index (e.g., interest rates, exchange rates, stock market index, price index) or other item (e.g., weather conditions) to pay or receive money in the future based on the performance of the underlying asset.</p> <p>Derivatives are used to reduce the chance of loss from changes in the value of the underlying element – a strategy called hedging. Alternatively, derivatives can be used to increase profit if the value of the underlying element moves in the direction they expect. This strategy is referred to as speculation. The main types of derivatives are futures options and swaps. <i>See also futures, option and swap.</i></p>
Discount Broker	<p>People who buy and sell stocks and bonds and charge lower trading fees (or “commissions”) than other brokers. They charge less because they don’t provide advice. Instead, they simply make trades. Many discount brokers also offer the ability to trade by telephone and on the Internet.</p>
Diversification	<p>The golden rule of smart investing. Diversification means investing in many different types of investments – stocks, bonds, GICs – to reduce your overall risk of losing money if one investment performs poorly. In other words, it means not “putting all your eggs in one basket.”</p>
Dividend	<p>An individual share in the distribution of profits or stockholders.</p>
Dollar Cost Averaging (DCA)	<p>DCA is what happens when you invest a set amount on a regular basis into an investment that fluctuates in value. (A mutual fund that invests in stocks is a good example.) By doing so, you’re taking advantage of fluctuations in the investment’s price so that the average amount you pay is potentially lower than if you invested your money all at once.</p>
Duration	<p>A time and dollar weighted measure of a bond’s price sensitivity to interest rate changes.</p>
Emerging Markets Equities	<p>Shares of companies based in countries that have developing stock markets (e.g. Latin America, Africa and some Asian countries).</p>
Equity	<p>Investment by an owner or owners in a property or business. Equity (or equity shares) is often used to refer to stockholder shares in a corporation. More specifically, equity equals assets minus liabilities.</p>

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Fiduciary	Relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person. For example, the relationship between a trustee and the beneficiaries of a benefit plan trust fund. Fiduciaries must discharge their duties solely in the interests of the participants and beneficiaries of the benefit plan. In addition, a fiduciary must (1) act exclusively for the purpose of providing benefits to participants and beneficiaries and (2) defray reasonable expenses of the plan.
Fifty Percent Rule	Each jurisdiction in Canada has some variation of this rule applying to the wind-up of a defined benefit plan. In essence, the rule compares a member's contributions (including interest) from a set date to the date of wind-up, against the total benefit credit accrued in that period. If contributions exceed 50% of the credit, the member is entitled to certain benefits based on the excess.
Foreign Equities	Shares in a non-Canadian based company.
Futures	Contracts that require delivery of a commodity of specified quality and quantity, at a specified price, on a specified future date. Commodity futures are traded on a commodity exchange and are used for both speculation and hedging.
Going-Concern Basis	Assumption, when making an actuarial valuation that a pension plan will continue in operation indefinitely.
Gross Domestic Product (GDP)	The total value of all goods and services produced in Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output, or more simply output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would only include the bread itself.
Guaranteed Annuity	An annuity that will be paid to a person for his or her lifetime, with a minimum number of payments guaranteed. For example, if a person who owns an annuity that has a five-year guarantee dies after three years, payment will continue to the survivor or the estate for two years.
Guaranteed Income Supplement (GIS)	Where a person has not saved enough for retirement, the Government of Canada provides the GIS, which is a family income-tested benefit that goes to low-income <u>OAS</u> pensioners. Spouses' Allowance benefits are also available to low-income 60-64 year olds who are married to GIS recipients or who have been widowed.
Guaranteed Investment Certificate (GIC)	A GIC is like a bond, except that it's issued by a bank or trust company. When you buy a GIC, you're promising to keep your money with the bank or trust company for a specified amount of time. Your capital ("principal"), meanwhile, is guaranteed by the bank or trust company as well as (to a certain dollar limit) by the government. In return, the bank or trust company guarantees to pay you a specific amount of interest.

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Hedge Fund	Aggressively managed investment portfolio that uses advanced investment strategies such as leveraged, long, short and derivative positions in an effort to generate high returns. Hedge funds are most often set up as private partnerships, open to a limited number of investors with very large initial minimum investments. Investors generally must keep their money in the fund for at least one year. Unlike mutual funds, hedge funds are largely unregulated. Early in their history, hedge funds took short positions to hedge against risk. Today, hedge funds make speculative investments that carry more risk than the market in general.
Index Fund	Mutual fund composed of securities selected to mirror a designated market index. Because the fund is passively managed to match a predetermined index, management expenses tend to be less than with an actively managed fund. Historically, passively managed index funds have also outperformed the majority of actively managed funds.
Indexation	The automatic adjustment of monetary payment amounts to inflation.
Inflation	A rise, over time, in the average level of prices.
Infrastructure	Basic physical and organizational structures and facilities (e.g., buildings, roads and power supplies) needed for the operation of a society or enterprise.
Interest	The money you pay to borrow someone's money, or that someone pays you to borrow your money. It's compensation you get for letting someone else use your money.
Interest Rate	The amount of money you pay to borrow money, or earn by letting someone else use it, normally expressed as a percentage.
International Equities	Shares in a company based in Europe, Asia or the Far East.
Investment Consultant	Individual or firm that provides investment assistance for a fixed fee, a fee based upon a percentage of assets or a fee derived from brokerage commission. Such assistance may include analyzing portfolio constraints, setting performance objectives, advice on asset allocation, performance measurement, educating fiduciaries and selecting/monitoring investment managers. Consultants typically work for brokerage firms or independent advisory firms. Their clients are most often institutional investors such as pension plans, but may include individuals with substantial sums to invest. On occasion, investment consultant is also used as a generic term to describe a money manager or a financial planner.
Investment Policy	Commonly used to describe how contributions to an employee benefit plan are to be utilized from the time they are received until benefits are paid.

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Life Income Fund (LIF)	A personal retirement income fund offered by financial institutions. Similar to a Registered Retirement Income Fund (RRIF). A LIF can be purchased with pension funds when a member leaves or retires. A federal LIF is used to provide a regular retirement income, and is subject to minimum and maximum withdrawal limits. LIFs are governed by the <u>Pension Benefits Standards Act</u> , and the <u>Income Tax Act</u> (Canada).
Liquidity	The ease with which securities may be traded without significantly impacting the price.
Locked-in Registered Retirement Savings Plan	A personal retirement savings account offered by financial institutions. Similar to a <u>Registered Retirement Savings Plan (RRSP)</u> , except that it is locked in. A locked-in RRSP is used to hold money that is transferred out of a pension fund on termination of employment. Locked-in RRSPs are governed by the <u>Pension Benefits Standards Act</u> and the <u>Income Tax Act</u> .
Money Purchase Pension Plan	Also known as a defined contribution plan, a retirement savings vehicle that defines payments to be made by an employer and possibly employees, but not the benefit formula. Accumulated contributions and interest determine the retirement benefit amount that can be provided or purchased as an annuity for the member upon retirement. See <u>Defined Contribution Plan</u> .
Nominal Interest Rates	Current stated rates of interest paid or earned.
Old Age Security Program (OAS)	The OAS basic pension is a monthly payment that is paid to people who are 65 years of age and over who meet residency requirements. If, for whatever reason, a person is unable to save for retirement, the Government of Canada also provides the <u>Guaranteed Income Supplement (GIS)</u> .
Organization for Economic Co-operation and Development (OECD)	A Paris-based organization with a membership of 29 industrialized countries responsible for study of and co-operation on a broad range of economic, trade, scientific and educational issues. Canada has been a member since the organization was founded in 1961. For more information, visit the OECD website at: www.oecd.org .
Outstanding Shares	Shares owned by investors.
Overnight Financing	The rate at which investment dealers and other financial market participants borrow and lend funds for one business day. This is the rate over which the Bank of Canada has the most control. Through its daily operations the Bank affects the level of settlement balances in the financial system in order to influence the overnight interest rate. For example, if a commercial bank needs funds to cover the transactions at its branches during the day, it can borrow from the Bank of Canada at the bank rate, or on the overnight financing market from a participant that has excess funds. The rate charged for a one-day loan is the overnight rate.
Par Value	The full face value of a security.

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Participation Agreement	Written contract between the trustees of a benefit plan and each participating employer. The agreement establishes the employer's contractual obligation to contribute to the plan.
Pension Adjustment (PA)	The value of a person's pension benefits accruing in a particular year as defined by the <u>Canada Customs and Revenue Agency</u> . For <u>defined benefit plans</u> , the PA is determined by a formula. For <u>defined contribution plans</u> , the PA is the total of all employer and employee contributions for the year. A person's <u>RRSP</u> contribution room is reduced by the value of the previous year's PA.
Pension Benefits Standards Act, 1985 (PBSA)	The law regulating <u>private pension plans</u> of employees employed in areas of <u>included employment</u> in Canada. It sets out minimum standards for benefits, administration, information to members, and investments.
Pensionable Earnings	Defined portion of an individual's total earnings, used in calculating pension entitlement.
Price to Book	Price of a share divided by the book value.
Price-to-earnings (P/E) ratio	The price of the share divided by the earnings per share. Earnings can be reported earnings for the last year, or an analyst's estimate of earnings for next year.
Portability Options	Options available on termination, death, marriage breakdown, or when a plan winds up. An individual may transfer the <u>commuted value</u> of accumulated pension benefits to a <u>locked-in RRSP</u> or a <u>LIF</u> , or to another pension plan, if agreed to by the new plan. The commuted value may also be used to purchase an immediate or deferred <u>annuity</u> . A member may choose to forego these options and instead receive a <u>deferred pension</u> from the plan at retirement.
Principal Value	The amount that will be repaid at maturity (also referred to as capital value or face value).
Preferred Stock	A class of capital stock that pays dividends at a specified rate; this class of stock usually does not have voting rights and takes precedence over common stock in the payment of dividends and liquidation of assets.
Pro-rata	Number of new shares that is proportionate to the shareholder's existing ownership interest.
Proxy	The written power of attorney given by shareholders of a corporation, authorizing a specific vote on their behalf at corporate meetings.
Real GDP	GDP (Gross Domestic Product) adjusted for inflation. Real GDP provides the value of GDP in constant dollars, which is used as an indicator of the volume of the nation's output.

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Real Interest Rates	Interest rates adjusted for the expected erosion of purchasing power resulting from inflation. Technically defined as nominal interest rates minus the expected rate of inflation.
Real Return Bond (RRB)	Debt security issued by the Canadian government that offers protection against inflation. RRBs pay interest semi-annually based on an inflation-adjusted principal; and, at maturity, they repay the principal in inflation-adjusted dollars. RRBs must be purchased, transferred or sold – directly or indirectly – through a participant of the Debt Clearing Service. They are available only in integral multiples of \$1,000.
Recession	A significant decline in general economic activity extending over a period of time.
Registered Pension Plan (RPP)	<p>Employer-sponsored defined benefit (DB), money purchase or hybrid plan that provides retirement benefits to Canadian employees upon retirement. The latter includes target benefit, industry-wide, cash balance and combination plans, etc. RPPs must be registered with the Canada Revenue Agency and meet criteria under the nation's Income Tax Act.</p> <p>Employer contributions are required for a DB plan – the amount is whatever is necessary to provide the benefits promised members. With a money purchase plan, an employer must contribute a minimum of 1% of a worker's income. For plans that are not a DB plan, the plan's design determines whether an employee may contribute and whether an employee is required to contribute. Contributions and gains are tax-deferred. Funds are taxed when they are withdrawn from the plan.</p> <p>While employed by the employer sponsoring their RPP, members cannot withdraw required contributions – funds must remain in the RPP until the member's termination of employment, death or retirement. Members may, however, withdraw amounts accumulated through voluntary contributions. At termination of employment, a member is entitled to his or her own contributions and plan sponsor vested contributions unless the assets are locked-in. Members also have the option to transfer accumulated amounts to another RPP or a locked-in RRSP.</p> <p>Generally, funds in a locked-in plan cannot be withdrawn, but there are some exceptions such as small entitlements and a member's shortened life expectancy. Members can also apply to the minimum standards regulator to withdraw funds on hardship grounds.</p>
Registered Retirement Income Fund (RRIF)	A personal retirement income fund offered by financial institutions. A RRIF is used to provide an ongoing minimum flow of income. The <i>Income Tax Act</i> determines the minimum withdrawal amounts, and governs RRIFs. Transfers to RRIFs from federally registered pension plans are not permitted.

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Registered Retirement Savings Plan (RRSP) A personal retirement savings account offered by financial institutions, to a specified amount. RRSP contributions can be deducted from an individual's taxable income. The *Income Tax Act* governs RRSPs.

Voluntary money purchase plan that an individual or a group of individuals who do not have a registered pension plan (RPP) can use to accumulate money for retirement. Set up at a financial institution such as a bank, credit union, trust company, mutual fund company, insurance company, investment dealer or brokerage firm, the plan may be a regular RRSP or a self-directed one. A self-directed RRSP allows the plan participant to build and manage his or her own investment portfolio. The RRSP must be registered with the Canada Revenue Agency and is subject to Section 146(1)(j) of the Income Tax Act.

Plan rules determine whether the RRSP is voluntary or compulsory for members. Contributions are tax-deductible and investment income is tax-free until withdrawn, when it is treated as income for tax purposes. Upon retirement, the holder of the RRSP may purchase a prescribed form of annuity or transfer plan assets to a Registered Retirement Income Fund (RRIF).

Although contributions are not locked-in, an employer may place limits on withdrawals from an RRSP as long as an employee remains employed. Employers cannot, however, restrict employee access once a worker retires or a worker's employment is terminated.

Return on Equity A measure of the income earned on a company's common shares for a period.

Securities Another word for stocks and bonds.

Securities Exchange Commission (SEC) An independent, non-partisan, quasi-judicial regulatory agency with responsibility for administering the federal securities laws (US). The purpose of these laws is to protect investors and to ensure that investors have access to disclosure of all material information concerning publicly traded securities. The Commission also regulates firms engaged in the purchase or sale of securities, people who provide investment advice, and investment companies.

Shareholder One that owns a share of corporate stock.

Short-term Interest Rates Interest rates on loan contracts – or debt instruments such as Treasury bills, bank certificates of deposit or commercial paper – having maturities of less than one year. Often called money market rates.

Socially Responsible Investing Also known as sustainable investing, an investment approach that takes into consideration social, economic, environmental and/or ethical issues as well as financial gain when selecting securities. In general, socially responsible investors favor stock in corporations that promote environmental stewardship, consumer protection, human rights and diversity. Some (but not all) avoid corporations involved in alcohol, tobacco, gambling, weapons and/or the military.

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Solvency	Capacity of a benefit fund, corporation or other entity to meet its present and future financial obligations as they become due.
Solvency Surplus	
Solvency Deficiency	<p>A pension plan must have sufficient funds to ensure that, in the event that the plan terminates (called a plan wind-up), all of the members will have their pension benefits paid to them. This requirement is termed SOLVENCY.</p> <p>Solvency liabilities are determined assuming that all active members terminate employment on the valuation date.</p> <p>The solvency surplus or deficiency is the difference between the plan's assets (contributions plus interest) and the plan's solvency liabilities (benefits payable plus expenses).</p> <p>If a Plan has a solvency deficiency (that is the assets are less than the solvency liabilities), then pension regulations, in more jurisdictions, require that additional contributions be made to the plan to eliminate the solvency deficiency within a prescribed timeframe. The pension standards law in all other provinces, as well as the federal pension benefits law, requires the employer to fully fund a deficiency on plan wind up. Saskatchewan is the only jurisdiction in Canada that does not. Some ongoing plans, in some jurisdictions, including Saskatchewan, have also been granted an exemption from funding a solvency deficiency.</p> <p>If a plan has a solvency surplus, then the benefits of all active, inactive and retired members would be paid in full if the plan was wound up.</p>
Spouse	The spouse is a person married to the member or former member or who is party to a void marriage.
Stock	Ownership share in a public corporation. Stock is a means of raising the capital a company needs to cover start-up costs and expansion. Ownership is usually indicated via a stock certificate or book entry. Depending on the type of stock owned, the holder may be given the right to vote on major corporate issues and may benefit from stock dividends, capital gains and – if the corporation is dissolved – a claim upon assets remaining after all creditors have been paid. Stocks are also referred to as equity securities and equities.
Swap	An agreement to exchange future streams of payments according to specified terms. For example, a financial institution may enter into an agreement with another party to pay a fixed interest rate and in exchange receive floating interest rate payments.

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Target Benefit Plan	<p>A target benefit plan is a type of pension plan that is similar to a defined contribution plan in that it involves fixed contributions, or a fixed range of contributions, which are set independently of a plan's funded position. Benefits are based on affordability projections. Plan members share plan risk through adjustments to their benefits.</p> <p>A key element of the target benefit model is the existence of pre-determined guidelines linking benefits to funds available in the plan. Benefits and contributions are linked in a way that does not exist with traditional defined benefit or defined contribution plans.</p>
Target-Date Fund	<p>Hybrid mutual fund investing in a mix of assets (i.e., stocks, bonds and cash) that is automatically reset as a specific date (usually a retirement date) approaches. Over time, the mix typically becomes less risky so that shareholders have more stable values and returns when they are ready to begin withdrawals. While proponents cite the convenience of using these funds to put retirement investing on autopilot critics are wary of the one-size fits-all approach and express concern as to whether the risk associated with the mix of assets is appropriate. Target-date funds are also known as target-retirement-date funds and age-based funds.</p>
Tax-Free Savings Account (TFSA)	<p>Introduced in 2009, an account that may be set up by an individual or group of employees through a bank or other financial institutions that allows Canadians, age 18 and over, to set money for retirement. As of 2015, the annual limit on contributions is \$5,500. In contrast to a Registered Retirement Savings Plan (RRSP), any money withdrawn from a TFSA in past years may also be put back into the account. Contributions are not tax-deductible, but no tax is paid on the principal, capital gains or investment income upon withdrawal. Earnings from a TFSA don't affect income-tested government benefits such as GIS and OAS. <i>See also Guaranteed Income Supplement (GIS) and Old Age Security (OAS).</i></p>
Treasury Bill (T-bill)	<p>Short-term US Treasury security having a maturity of up to one year and issued in denominations of \$10,000 to \$1 million. T-bills are sold at a discount: Investors purchase a bill at a price lower than the face value (for example, the investor might buy a \$10,000 bill for \$9,700); the return is the difference between the price paid and the amount received when the bill is sold or it matures (if held to maturity, the return on the T-bill example would be \$300). T-bills are the type of security most frequently used in Federal Reserve open market operations.</p>
Treasury Bond	<p>Long-term security having a maturity of 10 years or longer issued in denominations of \$1,000 or more. A 30-year bond is sometimes referred to as a long bond. Bonds pay interest semi-annually, and the principal is payable at maturity.</p>
Treasury Note	<p>Intermediate-term security having a maturity of one to 10 years and issued in denominations of \$1,000 or more. Notes pay interest semi-annually, and the principal is payable at maturity.</p>

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Trust Agreement (trust deed)	Legal document that spells out the methods of receipt, investment and disbursement of funds under an employee benefit plan. It contains provisions for investment powers of trustees; irrevocability and non-diversion of trust assets; payment of legal, trustee and other fees relative to the plan; clauses pertaining to the liability of trustees; periodic reports to the employer or union by the trustees; records and accounts to be maintained by the trustees; conditions for removal, resignation or replacement of trustees; benefit payments under the plan; and the rights and duties of the trustees and/or parties in the case of amendment or termination of the plan. The plan agreement is often separate from the trust agreement.
Trustee	Person, bank or trust company that has responsibility over the receipt, disbursement and investment of property or funds for the benefit of another party. When this responsibility is not exercised by a bank or trust company, a board of trustees with each trustee given one vote usually exercises it.
Trusteed Pension Plan	Employee retirement plan in which an employer's contributions are placed in a trust for investment, as distinguished from a plan in which the benefits are secured by life insurance. Plan sponsors are responsible for making sufficient contributions to maintain plan solvency. Benefits are not insured except to the extent annuities are purchased.
Vesting	Financial Markets: The earning of ownership rights over a period of time. Pensions: Vested benefits are benefits to which an employee is entitled under a pension plan to satisfy age and/or service requirements. Usually involves <u>locking in</u> of accumulated benefits.
Waiver of Premium	Provision in some insurance policies that allows a policy holder to stop making premium payments under specific circumstances (e.g., the insured suffers a permanent disability or dies).
Wind-up	Discontinuation of all or part of a pension plan by the employer. Often results from bankruptcy of the employer or from corporate restructuring or downsizing.
Year's Maximum Pensionable Earnings (YMPE)	Maximum annual earnings, prior to reduction of the amount of the year's basic exemption, upon which benefits and contributions to the Canada and Quebec Pension Plans are based. The YMPE has been subject to yearly adjustments; increases have been determined by changes in the Industrial Aggregate as reported by Statistics Canada. The figure is rounded down to a multiple of \$100.
Yield	The future interest or dividend income on a loan or investment, expressed as a percentage of the price of the security. For a bond, the yield is the rate that sets the price paid equal to the coupon payments and maturity value.
Yield Curve	A graph of the yields of bonds with different terms of maturity usually plotted for the same class of bonds from short to long term.