

## **Glossary of Pension Plan Terms**

### **ACCRUED PENSION**

For active members, it is the pension they would be entitled to receive at retirement age, based on current average pensionable earnings and years of service. For retirees and survivors, it is the pension they are currently receiving. For members entitled to a deferred pension, it is the pension they are entitled to receive at retirement age, based on average pensionable earning and years of service at their termination date.

### **ACTUARY**

In the pension area, a professional who is responsible for calculating the liabilities of pension plans and the costs of providing pension plan benefits. Under the Federal Pension Benefits Standards Act (**PBSA**), all actuarial reports must be prepared by a person who is a Fellow of the Canadian Institute of Actuaries.

### **ANCILLARY BENEFITS**

Additional benefits which may be provided by a pension plan. This may include: disability benefits, bridging benefits, supplementary benefits, certain death benefits, and certain early retirement benefits.

### **ANNUAL PENSION and BENEFITS STATEMENT**

A Bell document that describes the specific, personal pension details and actual entitlements for an individual pensioner.

### **BELL SPECIFIC PENSION TERMS**

- **LEVELLED PENSION**

Pension is of equal monthly payments\* throughout retirement.

- **INTEGRATED PENSION**

Pension is of equivalent value to a levelled pension; however, the monthly payments\* are higher before age 65 and lower thereafter to take into consideration the government pensions you may be entitled to receive, usually at age 65.

*\* plus indexation, as applicable*

### **BENEFICIARY (or plan beneficiary)**

A person who is receiving, or is entitled to receive, a benefit under a pension plan.

### **BUY OUT ANNUITY**

A life annuity purchased by a pension plan administrator from an insurance company which provides members, former members, and their survivors with payments equivalent to those that they would have received from the pension plan.

## **CANADIAN ASSOCIATION OF PENSION SUPERVISORY AUTHORITIES (CAPSA)**

The national inter-jurisdictional association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada. CAPSA discusses regulatory issues of common interest and develops practical solutions to further the coordination and harmonization of pension regulation across Canada.

## **COMMON-LAW PARTNER**

For the purposes of federal pension legislation, a person who has been cohabiting with a member in a conjugal relationship for at least one year.

## **COMMUTED VALUE**

The amount of an immediate lump-sum payment estimated to be equal in value to a future series of pension payments. The value is calculated using assumptions prescribed by the Canadian Institute of Actuaries that are based on current market conditions.

## **CONTRIBUTION HOLIDAY**

A plan sponsor opts to forego contributions to a pension plan in a particular year. Generally, this option is only available to plan sponsors when the plan has a sufficient surplus under both going-concern and solvency valuations.

## **CONTRIBUTORY PLAN**

A pension plan that requires members to make contributions in addition to any employer required contributions. Contributions are normally made by payroll deduction.

## **CREDITED SERVICE**

The length of service used in a pension plan formula to calculate a defined benefit. The credited service for a member might be different than the member's continuous service or employment.

## **DATE OF TERMINATION**

The date a plan member's employment or plan membership ends (or, in the case of a wind up, this is the effective date of the plan wind up).

## **DEFERRED PENSION**

A specified pension determined when a member's employment or plan terminates that is not payable until sometime later, usually at retirement.

## **DEFINED BENEFIT PLAN**

A pension plan that defines the **pension benefit** to be provided based on factors such as years of plan membership and average earnings calculated in accordance with the terms of the plan.

## **DEFINED CONTRIBUTION PLAN**

A pension plan where the company and employee contributions are defined. The contributions are deposited into the employee's personal Defined Contribution (DC) account and invested among the available investment options according to the employee's instructions. The DC

account will vary over time through contributions and investment gains/losses. At retirement or termination, the accumulated sums in the DC account are transferred to a retirement income vehicle (such as a life income fund) or used to buy an annuity.

### **EARLY RETIREMENT AGE**

Members who are within 10 years of pensionable age are eligible to receive an early retirement pension from the plan (e.g. if the plan's pensionable age is 65, members could choose to retire at any time between the age of 55 and 65, providing other criteria are met, e.g., age and years of service add up to a prescribed number). However, the amount of pension is reduced to compensate for the fact that it is payable for a longer period of time.

### **GOING-CONCERN VALUATION**

An actuarial valuation that calculates the assets of the pension plan and the expected cost of the promised benefits based on the assumption that the plan is continuing.

### **GUARANTEED PENSION (Bell Pension Guarantee is 10 Years when choosing without Survivor Pension)**

A pension that will be paid to a pensioner for a guaranteed minimum of 120 months. In the event of the retiree's death, the balance of the 120 monthly payments, if any, will be paid to the retiree's beneficiary or estate.

### **GUARANTEED LIFE ANNUITY**

A life annuity that will be paid for the lifetime of a person, or for a certain period (whichever is longer), but in any event for a minimum period (e.g., if a person who owns an annuity with a 10-year guarantee dies after eight years, payments will continue to be made to a beneficiary or the estate for two years).

### **INDEXATION**

In relation to pensions, this is the amount that the monthly pension payment may be increased from one year to the next to provide a degree of inflation protection. If indexation is provided, it is often based on the change in the Consumer Price Index (CPI) as calculated by Statistics Canada. This is sometimes referred to as an escalated adjustment or Cost of Living and /or Consumer Price Index. For Bell retirees, the indexation applied for the most recent year is based on the change in the CPI and is specified in the latest annual pension statement.

### **JOINT AND SURVIVOR PENSION OR ANNUITY**

A pension or life annuity that is payable until the death of the retired plan member, and then to the surviving spouse until his or her death. This is the default option when a member with a spouse retires. For the Bell plan, after the Plan Member's death, the payments to the survivor are reduced to 60% of the pension received prior to the member's death.

## **LIFE ANNUITY (OR ANNUITY)**

In the pension context, periodic payments (usually monthly) are provided by the terms of an insurance contract that will be paid for the lifetime of a person (the annuitant), or the person and his or her designated beneficiary. Annuities are normally purchased from insurance companies.

## **LOCKING-IN**

A legislative requirement whereby transferred **pension benefits** cannot be used for any purpose other than to provide a retirement pension. Funds transferred to **LIFs, RLIFs, Locked-in RRSPs** and **RLSP** are also locked-in.

## **LIFE INCOME FUND (LIF)**

A personal retirement income fund offered by financial institutions. It is similar to a **Registered Retirement Income Fund (RRIF)**. A LIF can be purchased with pension funds on termination of employment or retirement. A LIF is used to provide a regular retirement income, and is subject to minimum and maximum withdrawal limits. LIFs offered under federal law are governed by the **PBSA** and the federal *Income Tax Act*. See also **Restricted Life Income Fund (RLIF)**.

## **LOCKED-IN REGISTERED RETIREMENT SAVINGS PLAN (Locked-in RRSP)**

A personal retirement savings account offered by financial institutions. It is similar to a **Registered Retirement Savings Plan (RRSP)**, except that the funds are 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 **PBSA** and the federal *Income Tax Act*. See also **Restricted Locked-in Registered Retirement Savings Plan (RLSP)**.

## **LONGEVITY RISK**

Longevity risk refers to financial risk that arises when retirees live longer than expected. For a Defined Benefit pension plan, this corresponds to the risk for plan sponsors that additional funds may be required to meet the pension obligations.

## **REGISTERED RETIREMENT INCOME FUND (RRIF)**

A personal retirement income fund offered by financial institutions. A RRIF is intended to provide an ongoing flow of income. **RRIFs** are governed by the *Income Tax Act* which determines minimum withdrawal amounts.

## **REGISTERED RETIREMENT SAVINGS PLAN (RRSP)**

A personal retirement savings account offered by financial institutions. **RRSPs** are governed by the *Income Tax Act* which sets the maximum amount of **RRSP** contributions that can be deducted from an individual's taxable income.

## **RESTRICTED LIFE INCOME FUND (RLIF)**

Similar to a **Life Income Fund (LIF)**, however, a **RLIF** holder may, on a one time basis, unlock 50% of the funds.

## **RESTRICTED LOCKED-IN SAVINGS PLAN (RLSP)**

An investment account that can only be established as a result of a transfer of funds from an **RLIF**. Similar to a **Locked-in Registered Retirement Savings Plan**, however, the funds in an **RLSP** can only be transferred back to a **RLIF**, a pension plan, if that plan permits, or to an insurance company to purchase an immediate or deferred life **annuity**.

## **MEMBER**

In pension-related legislation and regulations, a member is an active employee who belongs to a pension plan. Retirees who are receiving a pension, and former employees who have deferred their pension, are considered to be "former members".

## **NON-CONTRIBUTORY PLAN**

A pension plan in which all required contributions are made by the employer (as was the case with the Bell defined benefit pension plan).

## **PENSION ADJUSTMENT (PA)**

The estimated value of a member's **pension benefits** accruing in a particular year as determined under the *Income Tax Act*. For **defined benefit plans**, the PA is determined by a formula. For **defined contribution plans**, the PA is the total of all employer and employee contributions for the year. A person's **RRSP** contribution room is reduced by the value of the previous year's PA.

## **PENSION BENEFIT**

The total monthly, annual or other periodic amounts that start being paid to a member or former member at retirement and that continue for the rest of his or her life. When the member or former member dies, these payments would be made to any other person who may be entitled to receive them.

## **PENSION BENEFITS GUARANTEE FUND (PBGF)**

A special fund that was established by the Government of Ontario (under the Pension Benefits Act) to cover pension benefits up to \$1000.00 per month for certain Ontario regulated defined benefit pension plans when they are involuntarily wound up and there is a funding deficit.

## **PENSION BENEFITS STANDARDS ACT, 1985 (PBSA)**

The federal legislation regulating private pension plans of employees working for federally regulated companies in areas of **included employment** in Canada. It sets out minimum standards for funding the plan, member benefits, administration, information to members, and investments.

## **PENSION BENEFITS STANDARDS REGULATIONS, 1985 (Regulations)**

Federal regulations that support the **PBSA** and provide additional specifications.

## **PENSION LIABILITIES**

The expected cost of the promised benefits based on actuarial assumptions such as future salary levels, investment returns, when members will retire and when they will die.

## **PENSIONABLE AGE**

The age specified in the plan text as the age at which members are entitled to a pension that is not reduced because of early retirement. It can be a specific age or be the age at which a certain number of years of service are attained, or require the attainment of both a certain age as well as a minimum number of years of service. If your pension plan offers unreduced early retirement benefits that require the **plan administrator's** consent, then that early retirement age would not be considered to be the **pensionable age** under the plan.

## **PLAN ADMINISTRATOR**

The person or group that is responsible for managing your pension plan and the pension fund. The plan administrator could be the employer, a board of trustees or a pension committee. The plan administrator may hire a third party service provider to manage the day-to-day work but the plan administrator - in this case, Bell - is ultimately responsible

## **PLAN TERMINATION**

Discontinuation of a pension plan resulting in the cessation of benefit accruals under that plan.

## **PLAN WIND-UP**

Distribution of the benefits and assets of a pension plan that has been terminated.

## **PORTABILITY / TRANSFER OPTIONS**

The options available on cessation of membership, death, marriage breakdown, or **plan termination**. Members, or **survivors** in the case of a member's death, can transfer the **commuted value** of accrued **pension benefits** to a **Locked-in RRSP**, a **LIF**, an **RLIF**, another pension plan (if agreed to by the new plan), or the **commuted value** can be used to purchase an immediate or deferred **annuity**. A member can forego these options and instead receive a **deferred pension** from the plan at retirement.

## **SINGLE LIFE PENSION (Bell term without Survivor Pension)**

A pension payable until the death of the retired plan member. It provides the largest monthly pension, but offers no continuing income to the retired plan member's spouse, if he or she outlives the retired plan member. Requires spouse's written approval.

## **SOLVENCY LIABILITIES**

The expected cost of the promised **pension benefits** based on the assumption that the plan is terminating.

## **SOLVENCY RATIO or TRANSFER RATIO (Ontario Term)**

The ratio of the assets of the plan to the **solvency liabilities** of the plan based on the assumption that the plan is terminating. A ratio of less than one indicates that a plan is not fully funded.

## **SOLVENCY VALUATION**

An actuarial valuation that calculates the degree to which a pension plan has sufficient assets to provide the promised pension benefits based on the assumption that the plan is terminating.

## **SURPLUS**

In **defined benefit plans**, the amount by which the assets of a pension plan exceed the expected cost of the promised benefits (**pension liabilities**).

## **SPOUSE**

In accordance with the Bell Canada Pension Plan and the applicable legislation, the term “Spouse” refers to:

The person who is cohabiting with the Employee in a conjugal relationship, having so cohabited for at least one year (i.e. common-law spouse), or if there is no such person;

The person who is married to the employee or who is party to a void marriage with the employee.

## **TARGET BENEFIT PLAN**

Unlike Defined Benefit plans which feature a fixed pension amount that is not subject to change (other than to reflect inflation in some cases), Target Benefit plans don't guarantee a pension benefit. Instead, benefits can vary over time depending on the performance of the plan and interest rate fluctuations. This places pensioners' financial security at greater risk and threatens the pension promise.

### **Sources:**

Bell Canada - Pension Information Committee Report As at December 31, 2015

Bell Canada Pension Package November 2011

Glossary of Pension Plan Terms – Office of the Superintendent of Financial Institutions

Glossary of Pension Plan Terms – Financial Services Commission of Ontario