



# WELCOME TO PENSION SERVICES

## GLOSSARY OF TERMS

Please follow the appropriate links below to find relevant definitions of regularly used pension terms.

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[Active member](#)

A plan member who is making regular contributions to the plan.

### **Actuarial equivalent**

A benefit of equivalent value when computed at the rate of interest and on the basis of the mortality or other tables.

### **Actuary**

A business professional who analyzes the financial consequences of risk. Actuaries use mathematics, statistics, and financial theory to study uncertain future events, especially those of concern to insurance and pension plans.

### **Actuarial Valuation**

An actuary prepares a plan valuation rate in 9 (also to BE) and 6 (in 9 (in 0 as) w) If the Tc 0 Twf]. 0 Twf]-6 regulatory authorities, and for accounting purposes in the plan's financial statements.

### **Annual member statement**

A statement that is sent to plan members every year, and contains information about the member's status in the plan. For example, the information includes the member's accumulated contributions plus interest, early and normal retirement dates, and benefit earned to date. The statement also provides general information about the plan, including funding.

### **Annuity**

An annuity is a contract, where you deposit a lump sum of money, and the other party agrees to pay you a guaranteed income for a set period of time — or for the rest of your life. Annuities are most commonly used to generate retirement income.



# B

## **Basic Salary**

The amount of annual employee compensation on which pension contributions are based. In a defined benefit pension plan, the this amount salary is used to determine the highest average salary in the pension formula. If applicable, the Basic Salary is defined in the [Plan Document](#).

## **Beneficiary**

A person who, on the death of a plan member or pensioner, may become entitled to a [survivor benefit](#)



## D

### **Deferred pension**

A pension benefit that is not payable until a later date, either because the member has terminated employment prior to earliest retirement age, or because the member chooses to defer the pension.

### **Deferred retirement**

Retirement after normal retirement age.

### **Defined benefit pension plan**

A pension plan in which the benefit that the member receives is based on a set formula that is unrelated to the contributions made by the member or employer.

### **Defined contribution pension plan**

A pension plan that provides a pension based on contributions made by the member and employer, and by the investment earnings in the plan.

## E

### **Early retirement reductions**

Reductions applied to a pension because a member retires before being eligible for an unreduced pension under the terms of the [plan document](#).

### **Earliest retirement age**

The earliest age at which a member becomes eligible for a pension benefit under the plan document.



# M

## **Member**

A person who is contributing to the pension plan,



# P

## **Pension**

A type of employment benefit that provides a retirement income, usually in the form of periodic payments, to those who have become entitled to that benefit under the terms of a pension plan.

## **Pension adjustment (PA)**

A pension adjustment represents the value of the pension benefits you earned in the previous year from your pension plan. Canada Revenue Agency (CRA) uses the pension adjustment to calculate your RRSP contribution room, then reports this information to you on a Notice of Assessment.

## **Pensioner**

A retired member, beneficiary or limited member who is receiving a pension.

## **Plan Document**

A document that provides the terms and conditions of a pension plan; it describes the various rights and obligations of the parties, including a description of the eligibility rules, benefits available, contributions requirements, etc.

## **Plan sponsor**

Refers to a designated party, usually an employer, which sets up a retirement plan for the benefit of the organization's employees.

## S

### **Small benefit**

A pension benefit with a total value not exceeding 20 per cent of the Year's maximum pensionable earnings ([YMPE](#)) under the Canada Pension Plan. A small benefit may be released from the [locking-in](#) conditions imposed by the *Pension Benefits Standards Act*.

### **Spouse**

Defined in the *Pension Benefits Standards Act* as:

- persons who are married to each other, and who have not been living separate and apart from each other for a continuous period longer than 2 years  
OR
- persons who have been living with each other in a marriage-like relationship for a period of at least 2 years immediately preceding the date of transaction.

### **Survivor benefits**

Benefits payable under a pension plan to the surviving spouse, beneficiary, or estate of a deceased member or pensioner. Pension plans may offer various types of survivor benefits, either in the form of [guarantees](#) or a [joint life](#) options. Generally, the longer the guarantee period and/or the greater the amount continuing to the survivor, the lower the member's monthly pension payment.

## T

### **Termination**

For pension plans, termination refers to a member ending his/her active membership in the plan, normally as a result of ending the employment relationship. Terminated members no longer contribute to the plan; however, assets accumulated and/or benefits earned prior to termination are left on deposit for a future benefit.

## V

### **Vesting**

In a pension plan, vesting means entitlement. In British Columbia, all pension plan benefits are immediately vested: members are entitled to the benefits the moment they are earned.

## Y

### **Year's maximum pensionable earnings (YMPE)**

Maximum salary limit for [contributions](#) to the Canada Pension Plan, set by Canada Revenue Agency each year according to a formula based on average wage levels.