

Glossary of Terms

A glossary of terms related to pension plan legislation in Saskatchewan.

[This page was intentionally left blank]

Glossary of Pension Terms

ACCRUED PENSION - amount of pension credited to a plan member according to service, earnings, etc., up to a given date.

ACTUARY - a professional in the pension and insurance fields responsible for calculating risks and premiums. In Canada, full professional recognition requires membership in the Canadian Institute of Actuaries.

ADDITIONAL VOLUNTARY CONTRIBUTIONS - contributions to a plan made voluntarily by an employee in addition to those contributions required to be made to attain a pension.

AD HOC ADJUSTMENT - amount added to a pension after retirement or termination to compensate for increases in the cost of living on an irregular basis and not as a result of a prior commitment or contract.

ADMINISTRATOR - the person or persons who administer the pension plan, i.e., who arrange for pension payments, funding of the plan, etc. For most plans, the employer is responsible for administration (although the employer may hire a third party to administer the plan on its behalf). Some plans are administered by a board of trustees or similar body.

ANCILLARY BENEFITS - benefits in addition to regular pension benefits, such as bridging benefits and enriched early retirement benefits.

ANNUITY - in pension terminology, periodic payments (usually monthly) provided by the terms of a contract for the lifetime of an individual (the annuitant) or the individual and his or her designated beneficiary. An annuity may be a fixed or varying amount, and may continue to be paid for a period after the annuitant's death.

ASSET MIX - refers to the proportions of various types of investments held by a pension fund, usually expressed as a percentage of total investments held in bonds, stocks, real estate, etc.

BEST ESTIMATE FUNDED NUMBER - refers to the number, expressed as a decimal fraction of two digits after the decimal, calculated in accordance with the following formula:

$$A = B \text{ divided by } C$$

Where:

A is the best estimated funded number

B is the market value of assets, including any cash balances and accrued and receivable income, of the limited liability plan as set out in the actuarial valuation report or cost certificate most recently filed respecting the limited liability plan; and

C is the going concern liabilities of the limited liability plan as set out in the actuarial valuation report or cost certificate most recently filed respecting the limited liability plan, less any PfAD liabilities or margin for adverse deviations.

BENEFICIARY - a person who on the death of a plan member or former member, may become entitled to a benefit under the plan.

BENEFIT - generally, any form of payment to which a person may become entitled under the terms of a plan, but often refers to the pension normally provided by the plan formula.

BENEFIT FORMULA - provision in a pension plan for calculating a member's defined benefit according to years of service and earnings, fixed dollar amount, etc.

BEST FIVE-YEAR AVERAGE / BEST AVERAGE FORMULA - a benefit formula that determines the amount of a pension by applying the member's average earnings during the five years when earnings were highest.

BRIDGING BENEFITS - a temporary benefit provided to members who retire prior to the age when Old Age Security (OAS) and Canada Pension Plan (CPP) benefits are normally payable in order to supplement pension income until the CPP benefits are payable.

CANADA PENSION PLAN (CPP) - a federal pension plan that provides monthly payments to retirees who worked in Canada and made CPP contributions during their employment. To receive CPP payments, a person needs to apply for and qualify for it.

CAPITAL ACCUMULATION PLAN (CAP) - A plan into which contributions are made on a tax-deferred basis. A CAP may include a defined contribution registered pension plan, a pooled registered pension plan, a group registered retirement savings plan, a registered education savings plan, a tax-free savings account or a deferred profit-sharing plan.

CAREER AVERAGE PLAN / CAREER AVERAGE FORMULA - a defined benefit plan that applies the unit of benefit to earnings of the member in each year of service, and not to the final or final average earnings. A career average plan may exclude earnings before a specific date and/or may index the earnings of the purposes of the career average formula.

CLASSES OF EMPLOYEES - categories of employees based on employment circumstances such as: salaried employees, hourly-paid employees, employees who are members of a trade union, supervisory employees, and management employees.

COMMUTED VALUE - the amount of a lump sum payment payable today estimated to be equal in value to a future series of payments. Most defined benefit plans calculate the amount of that lump sum payment using the assumptions provided by the Canadian Institute of Actuaries; however, some limited liability plans can provide that the amount of the lump sum payment be calculated based on the best estimate going concern assumptions of the most recently filed actuarial valuation report.

CONTINUOUS SERVICE OR MEMBERSHIP OR EMPLOYMENT - period during which an employee is continuously employed by the same employer or continuously participates in his or her employer's pension plan, including periods of temporary absence or suspension or periods of layoff. To be distinguished from credited service.

CONTRIBUTORY PLAN - a pension plan which requires the employees to make contributions by payroll deduction in order to qualify for benefits under the plan.

CREDITED SERVICE - length of service used in the plan formula to calculate a defined benefit.

DEFERRED MEMBERS - terminated employees who are eligible for a deferred vested pension. Considered by legislation to be former members.

DEFERRED VESTED PENSION - a specified pension determined at the time of termination of employment or termination of a plan but not payable until some later date.

DEFINED BENEFIT PLAN - a pension plan that defines the pension to be provided (based on service, average earnings, etc.) but not the total contributions. If the plan is contributory, the rate of employee contributions may be specified, with the employer paying the balance of the cost. To be distinguished from a defined contribution plan.

DEFINED BENEFIT PROVISION – means a plan provision pursuant to which benefits are determined in any way other than those described under “defined contribution provisions”.

DEFINED CONTRIBUTION PLAN - a plan under which the amount of the employer contribution per plan member and, where applicable, the amount of the employee contribution is specified in advance and the benefits to be received by the pensioner is calculated at the date of retirement based on the accumulated contributions and the return on the investment of the

contributions.

DEFINED CONTRIBUTION PROVISION – means a plan provision, other than benefits based on an optional ancillary contribution, pursuant to which benefits are determined solely by reference to what is provided by contributions, investment earnings, and other allocations.

DIVISION OF PENSION CREDITS - also known as "credit splitting", a provision in a pension plan or pension legislation whereby one spouse on spousal relationship breakdown, may obtain a share of pension credits earned by the other partner during the spousal relationship.

EARLY RETIREMENT AGE - Members who are within 10 years of the normal retirement 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). However, in a defined benefit plan, the amount of pension may be reduced to compensate for the fact that it is payable for a longer period of time.

ELIGIBILITY REQUIREMENT - a condition such as length of service that must be met before an employee is permitted or required to join a pension plan. Term may refer to the eligibility for certain benefits.

EMPLOYEE - means an individual, employed to do work or to provide a service, who is in receipt of or entitled to remuneration for the work or service.

EMPLOYER - refers to the person or organization from whom an employee receives remuneration, and includes any or all of the employers that are required to contribute to a specified multi-employer pension plan.

EMPLOYMENT PENSION PLAN - a pension plan offered by an employer or supported by a group of employers for the benefit of employees. The term includes plans covering employees of governments and the private sector, but does not include the Canada Pension Plan or other public programs.

ENRICHED EARLY RETIREMENT BENEFITS - a pension paid on retirement prior to the normal retirement date, which is not reduced to the extent it should be to fully account for the longer period of time over which the pension is likely to be paid.

FINAL PAY PLAN / FINAL AVERAGE PLAN / FINAL AVERAGE FORMULA - a term commonly used for a pension plan in which benefits are based on earnings in a member's last years of service.

FLAT BENEFIT PLAN / FLAT BENEFIT FORMULA - a defined benefit plan that specifies a dollar

amount of pension to be credited for each year of service.

FORMER MEMBER - means a person whose membership in a plan has terminated and who retains a present or future entitlement to a benefit pursuant to a plan. A pensioner would be considered a former member, as would a person who is entitled to a deferred vested pension. However, a person who transferred pension money out of the pension plan is not a former member because he or she no longer retains an entitlement under the plan.

FULLY FUNDED - a term describing a plan which, at a given time, has sufficient assets to provide for all accrued benefits.

FUNDED RATIO - in general, a funded ratio is determined by dividing the going concern assets of a plan by the going concern liabilities of a plan.

FUND HOLDER – the financial institutions or other third parties that are retained by the pension plan administrator to hold the assets of the pension fund.

FUNDING - systematic monthly payments into a pension fund which, with investment earnings on these funds, are intended to provide for benefits as they become payable.

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 ANNUITY - an annuity which 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 an annuitant with a five year guarantee dies after three years, payment will be continued to a beneficiary or the estate for two years.

INCLUDED EMPLOYMENT - Employment in connection with the operation of any work, undertaking or business that is subject to the legislative authority of the Government of Canada, such as banking, telecommunications, inter-provincial transportation, etc.

INDEXING - a provision in a plan calling for adjustments to benefits (usually after retirement) according to a formula based on a recognized index of price or wage levels.

INVESTMENT RETURN - earnings of a pension fund including interest, dividends, and capital gains and losses.

INVESTMENT MANAGERS - plan sponsors frequently are assisted by investment managers who

help them decide how the pension funds should be invested. These managers are supervised by the plan sponsor.

JOINT AND SURVIVOR PENSION OR ANNUITY - an annuity payable until the death of the retired employee, and continuing thereafter to the surviving spouse until that person's death. Required to be provided as an option at time of retirement.

LIMITED LIABILITY PLAN – means a plan to which the employer’s funding obligations are limited by collective bargaining agreement or contract, but does not include a Specified Plan.

LOCKING IN - legislative requirement that pension contributions cannot be withdrawn or otherwise forfeited on termination of employment if the employee is vested.

LOCKED-IN RRSP - see Locked-in Retirement Account

LOCKED-IN RETIREMENT ACCOUNT (LIRA) – a registered retirement savings plan (RRSP) upon which certain contractual conditions have been placed. The key conditions include:

- money must be locked-in and must be used to provide a lifetime pension;
- non-assignable and exempt from seizure; and
- pension payable at age 55 or an earlier date if permitted by the pension plan from which the money was transferred.

MEMBER - an employee on whose behalf an employer is required to make contributions to a pension plan and who has not terminated his or her membership or commenced his or her pension.

MONEY PURCHASE PLAN - see Defined Contribution Plan.

MULTI-JURISDICTIONAL PENSION PLAN - a pension plan that provides pension benefits for active and/or former members in two or more Canadian jurisdictions in accordance with the applicable agreements.

NEGOTIATED COST DEFINED BENEFIT PLAN / NEGOTIATED COST PENSION PLAN - a defined benefit plan in which employer contributions are fixed (usually by negotiations) and benefits are not guaranteed.

NON-CONTRIBUTORY PLAN - a pension plan in which all required contributions are made by the employer.

NORMAL RETIREMENT DATE - the date at which the member becomes entitled to retirement

benefits without reduction or increase.

OLD AGE SECURITY (OAS) - a federal pension plan that provides monthly payments to most Canadians that are 65 years of age or older. To receive the OAS pension, an individual must qualify and apply for it. To be eligible for the OAS pension, a person must meet the Canadian legal status and residence requirements.

PENSION - generally any periodic payment payable for the lifetime of a person who has become entitled to such a benefit pursuant to the terms of a pension plan.

PENSION BENEFITS ACT, 1992, THE (ACT) - Saskatchewan's legislation regulating employment pension plans. Supporting regulations are called *The Pension Benefits Regulations, 1993* (Regulations).

PENSION PLAN - a plan, scheme or arrangement organized and administered to provide pensions for members and former members pursuant to which an employer is required to make contributions.

PLAN SPONSOR - refers to the employer sponsoring the pension plan for employees.

POOLED REGISTERED PENSION PLAN (PRPP) - refers to a type of pension plan, that is subject to the terms of *The Pooled Registered Pension Plans (Saskatchewan) Act* (the SK PRPP Act) or other similar statutes of other jurisdictions, in which member contributions and employer's contributions are deposited into an account in the member's name. Employer contributions, however, are not mandatory. A PRPP pools contributions together for investment and cost efficiency purposes. Interest and investment earnings are credited to the member's PRPP account and accumulate on a tax deferred basis.

POOLED REGISTERED PENSION PLANS (SASKATCHEWAN) ACT, THE (SK PRPP Act) - Saskatchewan's legislation regulating pooled registered pension plans. Supporting regulations are called *The Pooled Registered Pension Plans (Saskatchewan) Regulations*.

POOLED RETIREMENT INCOME ACCOUNT (PRIA) - a registered retirement income fund (RRIF) upon which certain contractual conditions have been placed. The key conditions include:

- must provide a retirement income; and
- meet the requirements of the SK PRPP Act.

POOLED RETIREMENT SAVINGS ACCOUNT (PRSA) - a registered retirement savings plan (RRSP) upon which certain contractual conditions have been placed. The key conditions include:

- money must be locked-in and must provide a retirement income at or after age 55; and
- meet the requirements of the SK PRPP Act.

PORTABILITY - options available to certain members on termination of employment.

PRESCRIBED RRSP - see Locked-in Retirement Account. The term "prescribed" means the details surrounding the RRSP are provided in the Regulations.

PRESCRIBED REGISTERED RETIREMENT INCOME FUND (pRRIF) - a prescribed retirement arrangement that can be established with funds locked-in by pension legislation. The term "prescribed" means the details surrounding the pRRIF are provided in the Regulations. The key characteristics of the pRRIF include:

- the contract must be registered as a retirement income fund pursuant to the ITA/ITA
- a spousal consent form must be signed before assets may be transferred to a pRRIF;
- the contract must comply with the requirements of Section 29.1 of the Regulations;
- the owner of the contract must be paid an income each year (except for the first year of the contract);
- the owner determines the amount of income to be paid each year at the beginning of the year, subject to the minimum withdrawal rules under the ITA/ITA;
- at any time the owner of the contract may purchase a life annuity with money in the contract, but the owner is never required to purchase an annuity;
- the owner determines how the balance in the pRRIF is to be invested.

REGISTERED RETIREMENT INCOME FUND (RRIF) a registered retirement income fund as defined by the ITA.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP) - a personal retirement savings plan as defined by the ITA.

RETIREMENT - withdrawal from the active work force because of age; may also be used in the sense of permanent withdrawal from the labour force for any reason, including disability.

RETIREMENT INCOME - income from pension and other sources to which a retired person is entitled. Term may include both private and public pension payments, income from personal savings, government income supplements and certain other sources of income.

SPECIFIED MULTI-EMPLOYER PENSION PLAN - a plan that is administered for employees of two or more employers and that is specified by the superintendent of pensions as a specified multi-employer plan. Generally refers to a plan in which the employee-employer relationship is not well defined. For example, in some construction trades, workers are employed for a particular job as opposed to being hired by a particular employer on an indefinite basis.

SPECIFIED PENSION PLAN - defined in section 36.7 of the Regulations.

SPOUSE - refers to:

- a person who is married to a member or former member; or
- if a member or former member is not married, a person with whom the member or former member is cohabiting as spouses at the relevant time and who has been cohabiting continuously with the member or former member as his or her spouse for at least one year prior to the relevant time.

The relevant time means "at the date of death" with respect to the pre-retirement survivor benefit and "at the date of retirement" with respect to the post-retirement survivor benefit.

SOLVENCY DEFICIENCY - refers to a shortfall in a plan's assets relative to its liabilities at a particular point in time assuming that the plan was terminated at that point.

SOLVENCY RATIO - the ratio of the market value of the plan's assets to its liabilities as measured on a plan termination basis.

SOLVENCY 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 terminating.

SUBSIDIZED EARLY RETIREMENT BENEFITS - see enriched early retirement benefits.

SUPERINTENDENT OF PENSIONS OR DEPUTY SUPERINTENDENT OF PENSIONS - a person or persons charged with the administration and enforcement of the Act.

SURPLUS - if a pension plan's assets exceed the plan's liabilities, the difference is called a surplus.

SURVIVOR PENSION OR SURVIVOR BENEFIT - a monthly benefit payable under a pension plan to the surviving spouse of a deceased member or former member.

TERMINATION OF MEMBERSHIP OR EMPLOYMENT - severance of the employment relationship for any reason other than death and retirement.

TERMINATION OF PLAN - this occurs when a pension plan ceases to operate. All members are vested and entitled to receive a pension.

UNFUNDED LIABILITY - any amount by which the assets of a pension plan are less than its liabilities on a going concern basis.

VARIABLE BENEFIT – a retirement option that may be offered by a defined contribution pension plan that can be established with funds locked-in by pension legislation. The key characteristics of the Variable Benefit include:

- the pension plan must be registered as a defined contribution pension plan pursuant to the *ITA*;
- a spousal consent form must be signed before assets may be transferred to a Variable Benefit Account;
- a spousal waiver form must be signed before assets may be transferred to a Variable Benefit Account;
- the plan must comply with the requirements of Section 29.2 of the Regulations;
- the pensioner determines the amount of income to be paid each year at the beginning of the year, subject to the minimum withdrawal rules under the *ITA*;
- at any time the pensioner may purchase a life annuity with money in the Variable Benefit Account, but the owner is never required to purchase an annuity;
- at any time, the pensioner may transfer the money in the Variable Benefit Account to a prescribed RRIF, another plan or to a LIRA (provided you are not yet 71 years of age); and
 - the pensioner determines how the balance in the Variable Benefit Account is to be invested.

VESTED BENEFITS (VESTING) - benefits to which an employee has unconditional entitlement under the plan as a result of satisfying age or service requirements.

YEAR'S MAXIMUM PENSIONABLE EARNINGS (YMPE) - term used in the Canada Pension Plan, referred to early as "CPP", which refers to the earnings from employment on which CPP contributions and benefits are calculated. YMPE is changed each year according to a formula based on average wage levels.

Contact Us

For additional information please contact:

Pensions Division
Financial and Consumer Affairs Authority of Saskatchewan
Suite 601, 1919 Saskatchewan Drive
REGINA SK S4P 4H2

Email: pensions@gov.sk.ca

Tel: (306) 787-7650

Fax: (306) 798-4425

URL: www.fcaa.gov.sk.ca

New: August 2017