

GLOSSARY OF PENSION TERMS

Accrued pension: for service up to any date, such as a year-end date, the amount of pension benefit earned by a plan member, payable in the form of a monthly annuity at retirement.

Actuarial Valuation: measures the value of the pension obligations earned by plan members to the valuation date and pensions to be paid to pensioners in the future. These pension obligations are compared to the value of the plan's assets to determine whether the plan has a surplus or a deficit. It also determines the amount of contributions to be paid by members and employers that are sufficient to fund the pension plan.

Actuary: a professional who uses mathematics and statistics to calculate risks, premiums, life expectancies, etc. for insurance and pension plans. Under the Nova Scotia Pension Benefits Regulations, an actuary is defined as a Fellow of the Canadian Institute of Actuaries.

Ad Hoc Adjustment: amount added to a pension after retirement, provided on an irregular basis and not as a result of a prior commitment or contract.

Annuity: 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. Payments may be of a fixed or varying amount, and may continue for a period after the annuitant's death.

Beneficiary: in a pension plan, a person who, on the death of a plan member or pensioner, may become entitled to a benefit under the plan. Under Nova Scotia pension legislation, a beneficiary would only receive benefits if the deceased member or pensioner does not have a surviving spouse or common-law partner.

Benefit: generally, any form of payment to which a person may become entitled under the terms of a plan; often refers specifically to the pension provided by the plan formula.

Pension Formula: the method defined in a pension plan for calculating a member's pension according to years of service and earnings (career, highest or final average), a fixed dollar amount, or flat benefit rate.

Best Three-Year Average: a defined benefit plan that uses the member's average earnings during the three consecutive years when earnings were highest.

Commuted Value: amount of immediate lump sum payment estimated to be equal in value to a series of future payments. Also referred to as a transfer value or the actuarial present value of the pension to which an employee/spouse is or will be entitled.

Continuous Service: period during which an employee is continuously employed by the same employer (or participating employers within the same pension plan); may be defined in the pension plan or by law to include certain periods of absence, and/or service with an associated or predecessor employer. Continuous service is often used to determine eligibility for early unreduced retirement benefits, e.g. Rule of 80 or 75.

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 pension.

Death Benefit: a lump sum (usually), or a pension from a pension plan to the spouse, beneficiary or estate of a member who dies before retirement; may also refer to a payment on death after retirement.

Deferred Pension: a pension which is deferred until the person, entitled to the pension, reaches their normal or early retirement date under the pension plan.

Defined Benefit Plan: defines a pension calculated using a formula that the member will receive upon retirement, regardless of the member's contributions or the investment performance of the plan.

Defined Contribution Plan: defines the contributions made by a plan sponsor and members of the plan, usually a percentage of earnings. At retirement, these contributions plus interest are used to purchase an annuity for former members. The amount of member's pension depends on the total of contributions made by, and on behalf of that member and will also vary due to interest earned on contributions and annuity rate at retirement time. The exact amount of pension is unknown until the member reaches retirement age. There is no guarantee of a specific benefit at retirement.

Excess Contributions: the amount by which a member's pension contributions, accumulated with interest, exceeds 50% of the commuted value of the pension at the earlier of retirement, termination of employment, or death prior to retirement.

Indexing: to increase pensions automatically, usually to reflect changes in the cost of living (inflation).

Joint and Survivor Pension: a pension that will continue, after the member's death, for the lifetime of the spouse. In most cases if, at the date of commencement of pension, the member has a spouse, the pension must be in the form of a joint and survivor pension paying at least 60% of the pension to the survivor. The spouse may waive his or her rights to the survivor pension benefits; however, cannot be compelled to do so. Under Nova Scotia pension legislation, only the spouse or common law partner of the member at the date of pension commencement is eligible for a survivor pension.

Marital Status: a formal declaration of whether a member is single or has a spouse or a common-law partner as of a specific date (ex. retirement date). Under Nova Scotia pension legislation, a member's marital status determines how death benefits from the pension plan will be paid. In the event of death before retirement, the member's marital status as of the date of death, or, in the case of death after pension commencement, the member's marital status as of the pension commencement date.

Normal Retirement Date: the date or age specified in the pension plan as the normal retirement date of members.

Pension: a fixed sum paid regularly to a person or surviving spouse following his or her retirement. There are both public (Canada Pension Plan) and private (from one's own employer) pensions.

Pension Benefits Act: Nova Scotia's legislation regulating employment pension plans.

Pension Division: a provision in pension plans or pension legislation where a spouse, on marriage breakdown, may obtain a share of the pension earned by the member during the period of marriage or cohabitation. Reciprocal Transfer Agreement: an agreement negotiated with another pension plan that allows members to transfer their pension when they move between plans.

Spouse: either of a two persons who,

- (1) are married to each other,
- (2) are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity,
- (3) have gone through a form of marriage with each other, in good faith, that is void and are cohabiting, or if they have ceased to cohabit, have cohabited within the 12-month period immediately preceding the date of entitlement,
- (4) domestic partners within the meaning of Section 52 of the Vital Statistics Act, or
- (5) not being married to each other, cohabitated in a conjugal relationship with each other
 - a. for a period of at least three years, if either of them is married, or
 - b. for a period of at least one year, if neither of them is married.

Survivor Pension/Survivor Pension Benefit: a monthly benefit payable under a pension plan to the surviving spouse of a deceased employee or pensioner.

Termination of Employment: severance of the employment relationship for any reason other than death and retirement.

Vested Benefits (Vesting): an employee's pension rights are deemed "vested" when he or she has completed the minimum term of employment or plan membership necessary to be eligible to receive a retirement pension in the future. (two years of plan membership under the HRM Pension Plan).

Year's Maximum Pensionable Earnings (YMPE): term referring to earnings from employment on which CPP contributions and benefits are calculated; the YMPE is changed each year according to a formula based on average wage levels.