

## **Boilermakers' National Pension Plan (Canada)** **("Pension Plan/ Pension Fund")** **Glossary of Terms**

**Active Member ("Member"):** An employee is eligible to become a Member of the Pension Plan on the first day of the month in which Contributions are remitted to the Pension Plan by an employer on behalf of the employee.

**Active/Passive Investment Management:** Active management is a portfolio management strategy where the Manager makes specific investments with the goal of outperforming an investment benchmark index. In passive management, investors expect a return that closely replicates the investment weighting and returns of a benchmark index and will often invest in an index fund.

**Active Manager:** Active managers rely on analytical research, forecasts, and their own judgment, experience and skill in making investment decisions on what securities to buy, hold and sell. The Active Manager's objective is to produce returns that are greater than those of passive indices.

**Accrued Benefits:** The target amount of pension a Member earned is determined by the total of the Member's Past Service Credits if any, and Future Service Credits.

Past Service Credits are equal to \$4.00 for each completed year of credited past service prior to July 1, 1971 to a maximum of 20 years.

Future Service Credits earned are based a formula outlined in the Boilermakers' National Pension Plan (Canada) Plan Text under Normal Retirement pension.

**Actuary:** A business professional who prepares actuarial valuations in accordance with the standards of the Canadian Institute of Actuaries (CIA) and in accordance with applicable legislation. The Trustees have appointed Eckler Ltd as the Actuary.

**Actuarial Assumptions:** The factors used by the Actuary to calculate the estimated assets and liabilities of the Pension Plan. These factors include such things as hours worked, mortality tables, future interest rates and investment earnings.

**Actuarial Valuation:** A report prepared by the Actuary to determine the required contributions that must be paid to the Pension Plan and to determine if the present Fund is sufficient to cover the present accrued liabilities. As a measure of good governance, the Trustees have prepared an Actuarial Valuation every year since 1980.

**Actuarial Liability:** The excess of the present value of the future target benefits plus expenses over the present value of the future normal cost of those target benefits.

**Actuarial Deficiency:** The excess of the Actuarial Liability over the current Assets.

**Actuarial Surplus:** The excess of the current Assets over the Actuarial Liability.


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**Administration Services Provider:** The Administration Services Provider handles the day-to-day administration of the Pension Plan. The Plan Administration Office maintains all of the Pension Plan's records including data and is responsible for the day-to-day operation of the Pension Plan. All of the retirement, termination, marriage breakdown and death benefit calculations are carried out by the Administration Services Provider in accordance with the Pension Plan's rules and under the direction of the Trustees. The Trustees have appointed McAteer-Employee Benefit Plan Services Limited as the Administration Services Provider.

The Plan Administration Office can be contacted as follows:

- Telephone: 905-946-2530 or toll free 1-800-668-7547
- Fax: (905) 946-2535
- Email: [pension@boilermakersbenefits.ca](mailto:pension@boilermakersbenefits.ca)
- Website: [www.boilermakersbenefits.ca](http://www.boilermakersbenefits.ca)
-  [www.facebook.com/boilermakersnationalbenefitplans](https://www.facebook.com/boilermakersnationalbenefitplans)

**Agent:** A professional who manages business, financial, or contractual matters for the Pension Fund.

**Agreement and Declaration of Trust:** The agreement contains the rights and responsibilities of provisions of the Trustees including their power to invest the assets of the Pension Fund, make payments from the Fund and determine the Pension Plan's benefits.

The Trustees conduct the business of the Boilermakers' National Pension Fund (Canada) (the "Pension Fund") in accordance within this Agreement.

**Alberta Pension Law:** The *Employment Pension Plans Act* (EPPA), the legislation regulated by the Alberta Treasury Board and Finance.

**Alberta Treasury Board and Finance:** The provincial regulator that regulates The Boilermakers' National Pension Plan (Canada), by means of the *Employment Pension Plans Act* (EPPA).

**Alternative Investments:** An Alternative Investment is an asset that is not one of the conventional asset classes, such as stocks and bonds. Alternative investments include private equity, private debt, real estate, infrastructure, commodities and derivative contracts. Alternative investments can increase diversification in a portfolio, reduce portfolio volatility and have low correlation with other asset classes.

**Annual Report:** A report prepared each year by the Board of Trustees that includes the Pension Fund's Auditor's Report, the audited financial statements and commentary from the Trustees about the Pension Plan's activities in the prior year and outlook for the future.

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**Annuity** (life annuity): The amount that will be paid for the lifetime of a person, or in the case of a joint life, the lifetime of the person and his spouse, or for a certain period (e.g., if a person who owns an annuity with a five-year guarantee dies after three years, payments will continue to be made to a beneficiary or the estate for two years).

**Asset:** The Assets of the Pension Fund are invested in publicly traded and private Canadian and foreign equities, bonds, Alternative Investments, (such as private equity, private debt, real estate, infrastructure), Cash and other classes where the primary objective is to prudently achieve the best possible risk-adjusted rate of return as permitted under the Statement of Investment Policies and Procedures (SIPP). Assets are used to make pension payments.

**Asset Allocation:** The amount of Assets allocated to each investment asset class. These amounts are set out in the Statement of Investment Policies and Procedures (SIPP) and are determined by an Asset/Liability study.

**Asset Classes:** A group of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. The main asset classes of the Boilermakers' National Pension Fund (Canada) are: Canadian Equity, Foreign Equity, Fixed Income and Alternative Investments. Assets may be traded on public markets or be privately traded.

**Asset/Liability Study:** A study performed by one of the Pension Fund's advisors that determines the optimal Asset Allocation for the Pension Fund given the Pension Fund's investment objectives and risk tolerance.

**Asset Manager Code of Professional Conduct:** The Professional Code of Conduct, adopted by the Chartered Financial Analyst Institute (CFA), which is the global standard of conduct for investment managers to affirm their commitment to ethical principles that put client interests first. The Trustees annually seek investment manager compliance with this Code.

**Auditor:** The Trustees appoint an Auditor to report on the financial statements of the Pension Fund. It is the role of the Auditor to verify the accuracy of the financial statements and to ensure they are in compliance with Generally Accepted Accounting Principles (GAAP). The Trustees have appointed BDO Canada LLP as the Pension Fund's Auditor.

**Auditor's Report:** The Auditor prepares the report to confirm that the financial statements comply with Generally Accepted Accounting Principles (GAAP). These principles require the Auditor to plan and perform the audit to ensure the financial statements are free from material misstatement.

**Balance Sheet:** The financial position report at a specific point in time, showing the Pension Fund's assets and liabilities.

**Bank Deposit Rate:** The interest rate paid by financial institutions to deposit account holders.

**Basis Points (BPS):** 1/100 of one percent. For example, a 0.5% change in interest rates is referred to as a change of 50 basis points.

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**BCA:** The Boilermaker Contractors' Association.

**Benchmark:** The standard against which the rates of return and riskiness of the Pension Fund's Assets can be measured. The rate of return benchmark can be a combination of index returns or an absolute number. The risk benchmark is a measure of the riskiness of the rate of return benchmark or an absolute number.

**Beneficiary:** The entity that receives benefits in the event of a Member's death. Provincial pension legislation dictates, if the Member has a spouse, the spouse is automatically the Member's primary beneficiary.

If the Member does not have a qualifying spouse, or if spousal benefits have been waived, the Member can name any person, persons, organization or his/her estate as primary beneficiary.

Secondary beneficiary: If the qualifying spouse predeceases the Member, the designated non-spouse beneficiary – a person, persons, organization or estate – will receive any death benefit that may be payable after the Member and his/her spouse have passed away.

**Board of Trustees ("Board/Trustees"):** The Board of Trustees has overall responsibility for the Pension Fund, including supervision all of the Pension Fund's advisors. All Trustees are appointed by the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers ("IBB") in accordance with the Agreement and Declaration of Trust.

**Bonds:** A loan agreement that entitles the bondholder to receive payment of the principal and any interest associated with the loan. The agreement also sets out any collateral or security behind the loan.

**Book Value:** The cost of an asset as it appears on a Balance Sheet. Book Value may be more or less than market value.

**Business Continuity:** The process of creating systems developed into a plan to address the prevention, recovery tools and processes necessary for continued operations.

**Canada Pension Plan (CPP):** The 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. For more information visit Service Canada's web page on the CPP. <http://www.servicecanada.gc.ca>.

**Canada Revenue Agency (CRA):** The Canada Revenue Agency (CRA) administers tax laws for the Government of Canada. It provides tax-sheltered mechanisms through the *Income Tax Act* for individuals saving for retirement, and sets standards for the benefits a pension plan can provide.

**Canadian Equity:** A Canadian stock.

**Chartered Financial Analyst (CFA):** A professional designation given by the CFA Institute that measures the competence and integrity of financial analysts. Candidates are required to pass

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three levels of exams covering areas such as accounting, economics, ethics, money management and security analysis.

**Collective Agreement:** The collective bargaining agreement between the BCA and IBB or any other collective agreement that provides, among other things, for contributions to the Pension Fund, together with any amendments, supplements and modifications.

**Collectively Bargained Multi-Employer Pension Plan (CBMEPP):** A CBMEPP is a multi-employer pension plan established through a collective agreement. This typically is a pension plan for members of a trade that is administered by a board of trustees. This Pension Plan has been designated a CBMEPP by Alberta Treasury Board and Finance. A CBMEPP is also known as a Specified Multi-Employer Pension Plan (SMEPP) under the *Income Tax Act*.

**Commuted Value:** The lump sum payment that the Pension Plan would need to give a Member today that, if invested at a certain interest rate, would provide the Member his/her monthly accrued Pension at his Normal Retirement Age of 65. The calculation of this amount is based on methods and assumptions prescribed by the Canadian Institute of Actuaries in compliance with the applicable legislation.

**Compliant:** To be compliant means to conform to requirements. This may refer to the Pension Plan's status in accordance with applicable pension or other legislation. It implies that the provisions and regulations of the applicable legislation are followed. Compliance may also relate to government filings, Member communications, payment of benefits and privacy. As well, our Investment Managers are required to be compliant with provisions set out in the SIPP. Their compliance is monitored on a quarterly basis.

**Currency:** A generally accepted form of money, which is issued by a government and circulated within an economy. Used as a medium of exchange for goods and services.

**Currency Hedging:** Currency Hedging is a way to eliminate foreign currency risk in a portfolio. Currency hedging can contribute to the Fund's returns during periods when the Canadian dollar is rising. However, the strategy could detract from returns when the Canadian dollar falls. The Pension Fund (Canada) does not use currency hedging.

**Custodian:** A custodian is a financial institution that holds a customer's securities for safekeeping, thereby minimizing the risk of theft or loss. The Trustees have appointed CIBC Mellon Global Securities Services Company as the Pension Fund's Custodian to hold Assets in trust for the Pension Fund.

**Debt:** Debt is an amount of money borrowed by one entity from another. Debt can be in the form of a loan, a bond or a mortgage or any other form that states the applicable interest rate and repayment terms. The borrower pays interest for the use of the money and is obligated to repay the principal amount. Debt may be traded on public markets or may be issued privately.

**Declaration of Trust:** The document that establishes the Pension Fund and the Pension Plan and sets out the Trustees' roles and responsibilities.

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**Deficit:** A deficit occurs when an entity has more money flowing out than flowing in. A pension plan may have a deficit on a going concern or solvency basis. Going concern assumes the pension plan will continue indefinitely, while solvency assumes the plan will terminate and wind up. The Pension Plan's solvency Deficit is the amount by which the Pension Plan's Accrued Liabilities measured on the Solvency basis for all benefits earned to the valuation date exceed the Pension Plan's Assets measured on the Solvency basis and shown in in the Actuarial Valuation. Deficits are commonly referred to as a solvency funding deficiency, solvency funding deficit or unfunded liability. The Pension Plan does not have a Going Concern Deficit – it has a Going Concern Surplus.

**Defined Contribution Benefit:** A defined contribution pension plan sets up individual accounts for each member. Benefits paid are based on the amounts deposited in these accounts plus any investment earnings. This benefit came into effect January 1, 2011 for Retired Members and Temporary Foreign Workers participating in the Pension Plan and in 2015 for non-members (permit workers). The contributions are remitted monthly to Manulife Financial in accordance with the Plan Text. Covered persons must select an investment option or the default (balanced fund account) will be chosen. In accordance with the *Income Tax Act* no participant will receive any benefit from contributions paid on his or her behalf for contributions that are received by the Fund after December 1<sup>st</sup> of the year they turn 71.

**Designated Beneficiary:** The person named as the Spouse and/or Beneficiary on the appropriate form to receive any benefit payable from the Pension Plan in the event of an applicable death.

**Directed Brokerage Commissions:** A client may "direct" a trade via the investment manager to a specific broker, with the benefit residing with the client. Directed brokerage can be used interchangeably with commission recapture whereby the client recaptures a portion of the trading commission or receives a rebate. Or it can reference the client directed a portion of the trading commission to a third party such as a performance measurement service. The difference with directed brokerage is the client directs the investment manager whereas with soft dollars the investment manager is directing the trade to receive an investment related service in return. The Pension Fund does not currently direct brokerage commissions.

**Disability Credits:** Upon written notification to the Plan Administration Office, a Member is credited with 160 hours for each month that the Member remains totally disabled. These credits continue for a maximum period of one year from the date of disability. The dollar value of the credited hours will be computed using the Contribution Rate in the Collective Agreement or Participation Agreement that was in effect at the date of disability.

**Disaster Recovery Plan (DRP):** A plan documenting the process or a set of processes and procedures to recover and protect IT infrastructure and the business' physical location. The DRP would address power disruption, floods, fire, and other types of damage to the location, its equipment and the surrounding area.



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**Duration:** Duration is the most commonly used measure of risk in investing in bonds. Duration incorporates a bond's yield, coupon and final maturity date and expresses it in years. This indicates how price sensitive a bond is to a change in interest rates. The longer the duration, the more sensitive the bond is to changes in interest rates. For example, if a bond has a duration of six years, then a one percentage point rise in interest rates would result in an estimated 6% drop in the price of the bond.

**Early Retirement Benefit:** The Pension Plan's provision which allows a Member to retire prior to the Pension Plan's Normal Retirement Age of 65, but no earlier than age 55.

**Effective Date:** Shall mean July 1, 1971 which is the effective date of the Pension Plan.

**Employment Pension Plans Act: (EPPA)** Private sector employment pension plans (those established and maintained by employers, or groups of employers or unions), are regulated in Alberta under the *Employment Pension Plans Act*, which is administered and enforced by the Office of the Alberta Superintendent of Pensions (the Superintendent's Office), in the Employment Pensions Branch of Alberta Treasury Board and Finance. The EPPA is designed to safeguard benefits promised to applicable employees, by setting minimum standards for:

- qualifying for benefits,
- determining benefits,
- funding pensions,
- investing plan assets, and
- disclosure to members.

**Enhanced Pension Benefits:** Provide a subsidy so that a Member can retire early without feeling the full financial impact of early retirement. The Pension Plan's Early Retirement Benefit includes a subsidy for Members, depending on their age and membership in the Pension Plan.

**Environmental, Social and Governance (ESG):** ESG is a set of standards that is used to screen investments made by an investor. Legislation requires that a fund's statement of investment policies and procedures includes a statement about whether environmental, social, and governance (ESG) factors are incorporated into the plan's investment policies and procedures, and if so, how they have been incorporated.

**Equities:** An equity is an instrument that signifies an ownership position in a corporation and represents a claim on its proportionate share in the company's assets or profits.

**Family Law Act:** The *Family Law Act* came into force in the province of Alberta on October 1, 2005. It replaced the *Domestic Relations Act*, the *Maintenance Order Act*, and the *Family Enhancement Act* in that province. Each province has similar legislation that addresses the rules of property division, civil rights, spousal and child support.

**Fiduciary:** A fiduciary is an individual or group of individuals holding assets for another party, with the legal authority and duty to make decisions regarding financial matters of behalf of the

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other party. The fiduciary manages the assets for the benefit of the other party rather than for his or her own profit. The fiduciary is required to act in the plan participants' best interests.

A fiduciary is responsible for all aspects of the Pension Plan and the Pension Fund).

**Fiduciary Responsibility:** Fiduciaries are required to act honestly, in good faith and strictly in the best interests of the beneficiaries. The Trustees will prudently invest the Pension Fund's Assets and keep them invested in a manner that will realize the highest possible investment return coupled with an acceptable/appropriate level of risk.

**Financial Risk:** The financial factors impacting the Pension Plan's ability to manage its liabilities relative to its obligations.

**Fiscal Year:** The Pension Fund operates on a fiscal year ending December 31.

**Fixed Income:** Normally refers to combination of Bonds, mortgages and Cash that an Investment Manager may hold in their portfolio but may also include mortgages, stripped coupons etc. A fixed income security provides a return in the form of periodic fixed payments and the return of principal.

**Forfeited:** The lost part of a benefit or investment.

**Former Member:** Is an individual (other than a Retired Member) whose Pension Plan membership has terminated in the Pension Plan, and who is entitled to receive a deferred pension or any other payment from the Pension Plan.

**Forward Currency Contracts:** A forward contract in the foreign exchange market that locks in the price at which an entity can buy or sell a currency on a future date. This helps reduce foreign exchange risk.

**Fund:** The Pension Fund is a pool of Assets used to provide pension benefits.

**Funded Status:** The amount a pension plan's assets that exceeds or falls short of the plan's benefit obligations (Accrued Liability). Usually this is a ratio showing the percentage of assets compared to liabilities. As at December 31, 2017 the Pension Plan was 102% funded on the basis of Going Concern. It had a Solvency Deficit of 36.9%.

**Funding:** To provide the benefits set out in the pension plan, it is critical to accumulate and invest contributions to build up a pool of assets. These assets, when combined with investment income, are expected to be sufficient to pay members' pensions. Funding is the act of accumulating these assets and is required by pension legislation.

**Funding Deficit:** A funding deficit occurs when the pension fund is projected to not have enough assets to fund the current benefit formula of the pension plan, including accrued benefits.



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**Geopolitical Risk:** Also, known as political risk, it is the risk that investment returns could suffer as a result of political changes or instability in a country or region of the world. This could stem from a change in government, legislative bodies, military control, war or heightened political tensions between countries.

**Global Equity:** Is common stocks in companies in the world's largest industrialized countries including the United States, and countries in Europe and the Far East, including Japan and Australia and may include Canada.

**Global Industry Classification Standards (GICS):** Standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's. The GICS methodology is used by the MSCI indexes, which include domestic and international stocks, as well as by a large portion of the professional investment management community. Examples of GICS would be energy, financials and consumer staples.

**Going Concern Valuation:** Assumes that the Pension Plan will continue indefinitely and will not terminate in the foreseeable future. A comparative assessment is made between the Pension Fund's Assets and the Accrued Liability of the Pension Plan's benefits as at the Valuation Date and also between the future level of Contributions and the corresponding Current Service Cost of the Benefits earned from those Contributions.

In this type of Valuation, the Pension Plan's Actuary calculates the Liability, at the Valuation Date, of Pensions earned to that date, as well as the Liability for Pensions-in-pay; using Actuarial Assumptions and methods that conform to the Canadian Institute of Actuaries' generally accepted actuarial principles. The Funded Ratio is the result of dividing Assets by Liabilities.

The Unfunded Liability, if any, is the difference between Liabilities and Assets if Liabilities are higher than Assets. Surplus, if any, is the difference between Assets and Liabilities, if Assets are higher than Liabilities.

**Governance Risk:** Without good governance and management of the Pension Fund and the Pension Plan, the Trustees' objectives and goals may not be met. By setting forth and adopting guidelines and policies, governance risk is reduced.

The Trustees have adopted many Policies to assure the good governance of the Pension Plan and Pension Fund. These include Delinquency Control, Code of Conduct, Statement of Investment Policies and Procedures, Privacy, Communication, Appeal, Record Retention, Conflict of Interest, Education and Expense.

**Guarantee Period:** A set period of time for which an Annuity is guaranteed. If the annuitant dies before the end of the Guarantee Period, the remaining payments of the Guarantee Period are made to the Beneficiaries of the deceased.

**Health Fund:** Boilermakers' National Health Fund (Canada).

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**High Yield Bonds:** A High Yield Bond is a bond with a lower credit rating than investment-grade bonds (BBB). Because of the higher risk of default, these bonds generally have a higher yield than investment grade bonds.

**IBB:** The International Brotherhood of Boilermakers, Iron Ship Builders, and Blacksmiths, Forgers and Helpers.

**Income Tax Act (ITA):** The federal law which limits the amount that may be contributed to and benefits that may be paid from a registered pension plan, on a tax-sheltered basis. To qualify as a "registered pension plan", pension plans are subject to provincial and federal minimum standards legislation and the ITA.

**Inflation:** Inflation is a rise in the rate of change in the general price level. The generally accepted measure of inflation is the Consumer Price Index (CPI) that is released monthly by Statistics Canada. The CPI measures the cost of living by monitoring prices of a representative basket of about 600 goods and services. When the rate of change in price level falls this is called deflation.

**Infrastructure:** Infrastructure investing is a component of Alternative Investing. It is a type of investment that exists to finance, construct, own, operate and maintain different infrastructure projects (bridges, toll roads, utilities) in a given region or operating area. Investments may be direct or indirect through a fund structure.

**Investment:** An investment is the commitment of money or capital in order to gain a financial return. Fund Investments will be limited to those securities that are permitted for the Pension Fund, which is registered under the EPPA, Alberta and the Income Tax Act (ITA). Permissible investments are outlined in the SIPP.

**Investment Committee:** The committee that is charged with overseeing Pension Fund's and Health Fund's' investments including developing and monitoring investment policies. The Investment Committee operates under a mandate approved by the Board of Trustees.

**Investment Consultant:** An advisor who works with the Trustees and the Investment Committee and helps monitor Pension Fund Investment Managers' return and risk, organizes manager searches, undertakes occasional Asset/Liability studies etc. The Trustees retain Eckler Limited as the Pension Fund's investment consultant to review performance and risk attributes and report to the Trustees on a regular basis.

**Investment Fees:** Fees charged by Investment Managers to manage Investments. Such fees are normally a percentage of market value of assets under management and are usually charged on a quarterly basis. Performance fees may also be charged on some investments.

**Investment Manager:** The firm which manages a portfolio of investments such as stocks, bonds, mutual funds and other investments. Investment Managers are professionals responsible for handling the Portfolios they oversee in the best interest of the Plan. The following Investment Managers are retained by the Boilermakers' National Pension Fund (Canada):

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- 17Capital LLP
- Apax Partners
- Brookfield Asset Management
- Canada Life (Setanta Asset Management)
- Connor, Clark & Lunn Investment Management
- JP Morgan Investments Inc.
- Leith Wheeler Investment Counsel Ltd.
- Longbow Capital Inc.
- Phillips Hager & North Investment Management
- Royal Bank of Canada
- SAF Group
- Sun Life Institutional Investments (Canada) Inc.
- TD Asset Management.

**Investment Return Assumption (Discount Rate):** The Investment Return Assumption is developed by the Actuary in concert with the Trustees. It represents the rate of return that is required to maintain the Liabilities of the Pension Plan.

**Joint and Survivor Benefits:** When a Member retires from the Plan having a Spouse, pension legislation requires the Member to elect a joint and survivor form of pension that provides at least 60% to continue to the Spouse, provided the Spouse is living at the Member's death. The Spouse may waive the right to the survivor pension thereby allowing the Member to select an alternate form of pension.

**Legislation:** Pension Legislation in Canada falls within provincial & federal jurisdictions. The Pension Plan is registered in the province of Alberta, and for Members who last worked in other provinces, their pension is subject to the Pension Legislation of that province as follows:

- *British Columbia Pension Benefits Standards Act.*
- *Manitoba Pension Benefits Act.*
- *New Brunswick Pension Benefits Act.*
- *Newfoundland and Labrador Pension Benefits Act, 1997.*
- *Nova Scotia Pensions Benefits Act.*
- *Ontario Pension Benefits Act.*
- *Quebec Supplemental Pension Benefits Act.*
- *Saskatchewan Pension Benefits Act, 1992.*

Other legislation impacts on the Pension Plan, for example human rights, workers compensation, and family law.

**Liabilities:** Liabilities represent the present value of benefits earned and/or payable to Pension Plan Members and their survivors whether retired, terminated or active.

**Liquidity:** The ability of an asset to be converted into cash quickly without having any material impact on the price of the security.

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**Long Term Asset Mix:** Setting an asset mix for the long term (i.e. four years or greater) is the key determinant of return and risk. A broad range of asset classes and strategies is reflected in the long-term asset mix.

**Long Term Equity Risk Premium:** Is the incremental return that the Board of Trustees believes is required for investing in equity securities. The premium reflects the difference between the return offered by risk-free government securities and the expected return of equity investments.

**Lump Sum Benefit:** If you are under age 55, vested in the Plan, and terminate your membership in the Plan, you may elect to receive the Commuted Value of your deferred pension. The transfer options are as follows:

- I. Transfer the Commuted Value to another pension plan, if the other plan permits the transfer; or
- II. Transfer the Commuted Value to a locked in RRSP; or
- III. Purchase a deferred annuity, with an insurance company, that would commence at your Normal Retirement Date (age 65).

**Mandates for Investment Managers:** Investment Managers' Mandates including investment objectives are used as a benchmark to measure a Manager's performance. The Trustees use other measures, in combination with investment performance to assess an Investment Manager's suitability to manage Fund assets.

**Market:** Is the capital market in which securities are traded.

**Market Capitalization:** Is the total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.

**Market Value:** The price at which an asset might reasonably be expected to be sold in an open market between a willing buyer and willing seller.

**Market-Wide Risk:** Is a risk common to an entire class of assets or liabilities. The value of investments may decline over a given time period due to economic changes or other events that impact large sections of the market.

**Member:** Means an employee who is enrolled in the Pension Plan according to the provisions of the Plan, but who at the time of reference is not a Former Member or Retired Member.

**Multi-Employer Pension Plan:** The Pension Plan is a specified multi-employer pension plan registered under Alberta's EPPA. The Pension Plan is registered as a specified multi-employer pension plan (SMEPP) under the ITA. In Alberta the Plan is classified as a Collectively Bargained Multi-Employer Pension Plan (CBMEPP).

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**Normal Form of Pension:** The normal form of pension under the Pension Plan is an amount payable for the lifetime of the Retired Member with a minimum guarantee of 60 monthly payments. This form is referred to as "Life, with a five-year Guarantee".

**Normal Retirement Age:** Is the first of the month coinciding with or next following a Member's 65th birthday.

**Old Age Security (OAS):** The Federal income security program available to most Canadians age 65 or over. Employment history and retirement date are not factors in determining eligibility, however residence requirements must be met.

**Operational Risk:** A form of risk that summarizes the risks a company or firm undertakes when it attempts to operate within a given field or industry. Operational risk is the risk that is not inherent in financial, systemic or market-wide risk. It is the risk that remains after determining financing and systemic risk, and includes risks resulting from breakdowns in internal procedures, people and systems.

**(OSFI) Guidelines on Derivatives Best Practices:** The process of risk management for derivatives activities that are integrated to the Investment Manager's overall risk management system.

**Passive or Index Fund:** Such strategies have lower investment management expense ratios with the expectation of investment returns in line with the corresponding underlying index.

**Passive or Index management:** Investment returns and risk correspond to market returns and risk. The primary advantage of passive or index management is lower management fees compared to active management.

**Past Service:** Monthly Past Service Credits are equal to \$4.00 for each complete year of a Member's Credited Past Service. Credited Past Service will be equal to the Member's continuous years of membership in the IBB prior to July 1, 1971. Twenty years is the maximum Credited Past Service.

**Pension:** The monthly amount that starts being paid to a Member at retirement and that continues for the rest of his or her life. When the Member dies, depending upon the form of Pension chosen by the Member, payments may continue to a surviving Spouse or other Beneficiary. The amount of the Pension is not guaranteed.

**Pension Benefit Formula:** The Pension Plan's formula used to calculate the amount of Pension payable from the Pension Plan to a Member.

**Pension Benefits Standards Act (PBSA):** The federal act respecting pension plans organized and administered for the benefit of persons employed in covered employment.

**Pension Fund:** The Boilermakers' National Pension Fund (Canada).

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**Pension Funding Legislation:** Refers to the manner by which provincial or federal legislation regulates a pension plan's funding of benefits.

**Pension Legislation:** Refers to provincial and federal laws related to pensions. In Alberta, for example, the provincial law that sets out minimum standards applicable to pension plans is the EPPA. All pension plans are subject to the ITA, which regulates the amounts that can be contributed to, and benefits paid from, a registered pension plan.

**Pension Plan:** The Boilermakers' National Pension Plan (Canada).

**Pension Plan Administrator:** Means the Board of Trustees of the Boilermakers' National Pension Plan (Canada), the duty of the Pension Plan Administrator is to carry out the provisions of the Declaration of Trust.

**Pension Plan Text:** The latest Pension Plan Text for the Pension Plan has been amended and restated as at September 1, 2014. The Plan Text was last amended December 23, 2020. The Pension Plan Text is the governing document for the Pension Plan.

**Pension Regulators:** Refers to the provincial and federal pension authorities. (*See Legislation definition*).

**Performance Measurement Service:** A service provider that analyses market results and measures those results comparatively to those reported by Investment Managers as a means to measure performance.

**PfAD - Provision for Adverse Deviation** is a financial margin of safety of assets in excess of liabilities required by applicable legislation and determined as at the date of an actuarial valuation. The PfAD was created as a concession to not requiring plans to fund benefit obligations on a solvency basis. It is constructed based on several factors recognizing the asset mix of the plan (fixed income vs. equities) and the plan's valuation rate. In accordance with legislation, benefits under the plan cannot be improved until the PfAD has been fully funded.

**Plan Administration Office:** See Administration Services Provider.

**Pooled Funds:** Is any fund in which multiple investors contribute assets and hold them as a group.

**Portfolio:** A group of investments.

**Pre-Retirement Death Benefit:** The Pension benefit or Lump Sum Benefit payment that is received after the death of an unretired Plan Member by his or her Spouse or Beneficiary.

**Pre-Retirement Planning:** The process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing



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assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.

**Privacy Legislation:** Canada has two federal privacy laws, the *Privacy Act* and the *Personal Information Protection and Electronic Documents Act*.

The *Privacy Act* took effect on July 1, 1983. The *Privacy Act* gives individuals the right to access and request correction of personal information about themselves held by these federal government organizations.

The *Personal Information Protection and Electronic Documents Act* (PIPEDA) sets out ground rules for how private sector organizations may collect, use or disclose personal information.

**Professional Conduct:** The high standards of conduct that professionals are required to adhere. The Plan's Investment Managers, for example, are expected to comply, at all times with the Code of Ethics and Standards of Professional Conduct and the Asset Manager Code of Professional Conduct as outlined by the CFA Institute. The Institute expects its members to conform to a global standard of excellence to put its clients first and to commit to commonly held ethical principles.

**Proxy Vote:** A form of voting whereby voting power is delegated. Registered investment management companies cast proxy votes for the securities in portfolios on behalf of clients.

**Rate of Return Assumption (Valuation):** The Rate of Return Assumption (also known as the Discount Rate) reflects the average return that is expected to be earned on the Pension Fund's investments over the long term. The rate of return is also used in the Valuation Report.

**Real Assets:** Includes tangible assets such as infrastructure, precious metals, commodities, real estate, agricultural land and oil. Real assets are expected to provide a hedge against inflation and real asset investments tend to have low correlation with traditional asset classes of equities and bonds.

**Reciprocal Transfer:** For a Member working on a temporary basis and earning pension contributions in the jurisdiction of another union which maintains a Reciprocal Agreement with the Fund, their contributions are automatically reciprocated back to the home local.

**Regulators:** Are the provincial and federal authorities that oversee pension plans. (See *Legislation definition*).

**Reserves:** Funds set aside for a future use or special purpose.

**Return:** The gain or loss of a security in a particular period. The return consists of the income and the capital gains relative of an investment usually quoted as an annualized percentage.

**Risk-Adjusted Returns:** A statistical measure that shows how much return is achieved per unit of risk. Two common measures are Sharpe Ratio and Information Ratio which show the return per unit of risk.

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**Risk Tolerance:** Refers to the appetite for investment risk, defined usually as volatility or risk of loss. The Trustees' risk tolerance for the fund is indicated by the asset mix, a combination of higher risk equities with lower risk bonds. In addition, diversification by asset class is expected to reduce the overall volatility of the total Fund.

**Segregated Funds:** Is a type of pooled investment vehicle that is similar to a mutual fund, but is considered an insurance product. Proceeds received by the insurance company are used to purchase underlying assets, and then shares of the segregated funds are sold to investors. Segregated funds may also refer to how an investment manager manages assets, as distinct from pooling assets with other clients, or a pooled fund.

**Short-Term Paper:** Short Term Paper is a fixed income instrument that has a short maturity, of less than a year. It is typically issued at a discount and matures at par. An example of Short-Term Paper is a Treasury Bill.

**Soft Dollar Policy:** Soft dollars refer to the fraction of brokerage commissions from trading by the investment manager that are directed to the purchase of investment related services. Such services are for the benefit of the client, but remain with the investment manager. Soft dollars are distinguished from Hard dollars where payment is direct. Investment Managers may use soft dollars and Directed Brokerage to pay for research and other investment related services provided they comply with the disclosure required by the Soft Dollar Standards as listed by the CFA Institute. Investment Managers are required to report the use of Soft Dollars and Directed Brokerage Commissions to the Trustees at least annually.

**Soft Dollar Standards by the Chartered Financial Institute (CFA):** The Soft Dollar Standards provide investment professionals with guidance on how to ethically use commissions that are the property of the client, based upon the following principles:

- Soft dollars belong to the client;
- Investment managers may only purchase research with soft dollars if the primary use is investment decision making process, not firm management;
- Investment managers must disclose all relevant benefits they receive through client brokerage.

**Solvency:** One measure of the financial soundness of the Pension Plan is stated as the Solvency Ratio. Solvency is normally measured under the assumption that the Pension Plan will be terminated and that the Trustees will purchase the accrued Pensions, including the Pensions of Retired Members, in the form of annuities. Therefore, an interest rate similar to a long-term bond rate is used to calculate Solvency.

**Solvency Deficiency:** If there are more Liabilities, measured on the assumption that the Pension Plan is hypothetically terminating, than the Pension Plan's Assets, the Plan has a "solvency deficiency".

**Solvency Funding Hiatus:** Legislation which grants a pension plan temporary reprieve from solvency funding obligations and allows a plan to fund benefits on the basis of a going concern

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obligation. The Alberta Superintendent of Pensions has approved the Pension Plan for a temporary solvency moratorium.

**Solvent:** Refers to a pension plan's ability to pay all benefit obligations.

**Specialist Mandates:** An investment mandate that is specialized in one asset class or one investment strategy, as distinct from a balanced mandate where an investment manager would manage several different asset classes e.g., equities and bonds.

**Specified Multi Employer Pension Plan (SMEPP):** Pension Plan has been designated a SMEPP. A SMEPP is a pension plan administered for employees of two or more employers that is designated by the Alberta Superintendent as a SMEPP, or the Superintendent may designate a plan as a SMEPP where there are substantially similar characteristics as defined in the applicable legislation.

**Spousal Rights:** refers to the Surviving Spouse's rights to claim the Member's property.

**Spouse:** The definition of eligible spouse varies according to the province where you last worked with a contributing employer to the Pension Plan.

**Statement of Investment Policies and Procedures (SIPP):** This policy statement sets out how the Pension Plan's Assets are to be managed and invested. The SIPP is reviewed in full by the Trustees at least once each calendar year or whenever a change is apparent or necessary i.e. fundamental change in benefit design of the Pension Plan.

**Surplus:** A surplus exists in the Pension Plan when the actuarial valuation determines that the assets available exceed liabilities of the Pension Plan.

**Swap Agreements:** A derivative instrument, where one security is exchanged for another. It is used to change the maturity (bonds), quality of issues (stocks or bonds), exchange currencies, and exchange interest rate cash flows from fixed rate to floating rate (or reverse) among others.

**Systemic Risk:** The risk of collapse of an entire financial system or entire market; whether as a result of financial system instability that could potentially be catastrophic. Idiosyncratic events or risks that are introduced by linkages and interdependencies in a system or market, where the failure of a single entity or cluster of entities can cause a cascading failure, which could potentially bankrupt or bring down the entire system or market.

**Target Benefit:** A target benefit pension plan targets, but does not guarantee to pay, specified retirement benefits at a future date. The Pension Plan provides target benefits because the Trustees cannot and do not guarantee the amount of any payment from the Pension Plan.

**Termination Benefit:** If you are under age 55, have a vested entitlement under the Pension Plan, and terminate your membership in the Pension Plan, you may elect to receive the commuted value of your deferred Pension. The transfer options are as follows:

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- A. Transfer the commuted Value to another pension plan, if the other plan permits the transfer; or
- B. Transfer the Commuted Value to a locked-in RRSP, with a financial institution that is approved by the Plan; or
- C. Purchase a deferred annuity with an insurance company that would commence at your Normal Retirement Date (age 65); or
- D. Another registered vehicle permitted under Provincial and Federal legislation and approved by the Plan.

Pursuant to applicable IBB Lodge governing documents, persons who withdraw the Commuted Value are deemed to have terminated their membership in the IBB.

**Trade:** A securities transaction, where a willing buyer and a willing seller exchange a security. Equities are generally traded on a regulated exchange.

**Transfer Ratio:** A ratio (solvency assets divided by solvency liabilities) that indicates the degree to which a pension plan has sufficient assets to provide pension benefits. A ratio of less than one indicates that a plan is not fully funded.

**Trust Agreement:** The Trust Agreement was made and entered into as of the first day of December 20, 1971 and has been amended from time to time. The Trust Agreement was restated June 17, 2014. It was last amended December 23, 2020.

**Trustee:** A person designated from time to time as a Trustee pursuant to the terms of the Declaration of Trust to manage and safeguard the assets of the Pension Fund.

**Type of Pension Plan:** The Plan is a multi-employer target benefit pension plan, that provides pension benefits based on the contributions earned through the Pension Plan Member's lifetime.

**Valuation Assumptions:** Factors used by the Actuary in forecasting future events affecting pension cost, including salary growth, interest rates, investment returns (Discount Rate), and mortality rates.

**Valuation Report:** The Valuation Report establishes the funding requirements for the current year and analyzes the experience since the last Valuation was completed. It also summarizes actuarial data and includes the actuarial certification that is required to be filed with the regulatory authorities.

**Vested Benefits:** Effective July 1, 2012 the Pension Plan provides immediate vesting of benefits. Vested Benefits mean that the Member has earned the right to the Pension Plan's Benefit in accordance with the Plan's rules as set out in the Plan Text.

**Volatility:** The sensitivity of the market price of an investment relative to an average or a benchmark. A volatile investment is one which has a price that fluctuates greatly and would be considered higher risk than a non-volatile investment.

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**Waived:** In the case of a Spousal Waiver Form, the Spouse of a Member is waiving his/her right to a pension benefit, by signing the Waiver of pre-retirement death benefit form or the waiver of a joint and survivor pension.

**Workers' Compensation Legislation:** A system whereby an employer must pay, or provide insurance to pay, the lost wages and medical expenses of an employee who is injured on the job.

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