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Glossary of terms for the Pension Plan Annual Report

actuarial valuation

Estimates the total value of benefits expected to be paid to members at a given point in time compared with the available assets to meet this obligation. The valuation's purpose is to measure the funding status of the Plan and set the level of Bank contributions. It is done in two ways: on a going-concern (or funding) basis and on a solvency basis.

> **Going-concern**, or **funding, basis** assumes that the Plan will continue to operate indefinitely. This is based on a long-term perspective that accounts for such factors as salary increases, interest rates, inflation, retirement rates and mortality.
>
> **Solvency basis** assumes that the Plan was terminated at the date of the valuation. This means that there is no need to project future salary increases or changes in membership. The assumptions used to calculate the solvency position, such as the interest rate employed to estimate liabilities, must meet the requirements of the Pension Benefits Standards Act and the standards of the Canadian Institute of Actuaries.

asset-liability modelling study

A comprehensive review of the Fund's portfolio of assets to determine how emerging economic, financial and investment trends and the expected evolution of our Plan membership could affect our liquidity needs and ability to take risks.

discount rate

The interest rate used to calculate the present value of future liabilities of a defined benefit pension plan, often to compare them with the value of the Plan's assets.

going-concern, or **funding, ratio**

The smoothed value of assets divided by the going-concern actuarial liabilities, when applied in a going-concern valuation.

fund expenses

Represent organizational and operating expenses, such as accounting, legal and financing costs incurred by funds we invest in.

incentive fees

Paid to real estate and private infrastructure equity managers when they achieve an investment performance in excess of a pre-established threshold.

smoothed value of assets

Used for the going-concern valuation to spread the impact of investment losses or gains from any single year over a longer period to stabilize plan contributions. The market value is used for the solvency valuation and in financial statements.

solvency deficiency

The amount used to calculate whether annual special payments are required under pension legislation and, if so, in what amount. The deficiency in any specific year is based on the average solvency position of the past three years. The special payments spread the deficiency amount over five years.

solvency deficit

The amount by which solvency liabilities exceed the market value of the Fund’s assets at a point in time.

solvency ratio

The market value of assets divided by the solvency liabilities.

solvency surplus

The amount by which the market value of assets exceeds the solvency liabilities at a point in time.