

GLOSSARY OF PENSION, INVESTMENT, ACCOUNTING AND ACTUARIAL TERMS AND ACRONYMS

AAL – Actuarial Accrued Liability – the value of workers’ and retirees’ future retiree benefits. The term is being phased out in accounting reports and replaced with “Total Pension Liability”

Accrued Benefits – the future benefits to which current employees earn a right by virtue of working.

Actuarial Assumptions – the set of assumptions about future occurrences that will affect the calculation of the amount and cost of plan benefits, including, but not limited to, mortality, disability and retirement rates, future salary changes, etc.

Actuarial Cost Method (or Funding Method) – a procedure for allocating the Actuarial Present Value of all past and future pension benefits to the Normal Cost and the Actuarial Accrued Liability.

Actuarial Gain or Loss (Experience Gain or Loss) – A measure of the difference between the actual experience and the expected based upon the set of Actuarial Assumptions, during the period between two valuation dates.

Actuarial Present Value – the current dollar value on the valuation date of all benefits expected to be paid to current members based upon the Actuarial Assumptions and terms of the Plan.

Actuarially Determined (Employer) Contribution – (replaced ARC – Annual Required Contribution) is the recommended or target employer contribution amount calculated by the actuary.

ABS – Asset Backed Security - financial securities backed by income-generating assets such as credit card receivables, home equity loans, student loans, and auto loans.

ACWI – All County World Index – large and mid-cap representation across 23 developed markets and 24 emerging markets countries. The index covers approximately 85% of global investable equity.

Alpha – measurement of excess return associated with a security or portfolio over the market return.

Amortization – paying off an amount owed over time. Liquidating a debt by making periodic payments.

Amortization Method – the process used by an actuary to determine how much of a plan’s total unfunded liability will be attributed to each year.

Amortization Payment – the portion of pension plan appropriations (payments from sponsors) which represents payments made to pay interest on and the reduction of the Unfunded Accrued Liability.

Assumed Rate of Return – an assumption about how quickly investments will grow in the future.

AVA - Actuarial Value of Assets – the notional value of a trust fund's assets, achieved by spreading investment gains and losses over a period of years (smoothing)

Average Remaining Service Life – the estimated average number of years that employees have yet to work.

Beta – measures the volatility of a security or portfolio relative to the overall market, where the beta of the market is equal to 1.0.

Bimbg Agg – Bloomberg Aggregate Bond Index – Previously known as Bloomberg Barclays' bond index, a market index that broadly tracks the performance of the U.S. investment-grade bond market. Includes government and corporate bonds.

BLS – Bureau of Labor Statistics – U.S. agency that measures the labor market activity, working conditions, price changes, and productivity in the U.S. economy to support public and private decision making.

CDO – Collateralized Debt Obligation – a structured finance product that is backed by a pool of loans and other assets sold to institutional investors. A subtype of ABS.

CERL – County Employees Retirement Law of 1937

CFA – Chartered Financial Analyst – professional designation given by the CFA Institute that measures and certifies the competence and integrity of financial analysts.

Closed Group – an indication that the actuary has projected the future cost of benefits for retirees and current employees but has not include the future cost of benefits for employees who are not yet hired.

Closed Period – a specific number of periods that declines to zero over time.

COL / COLA – Cost of Living Adjustment – increase made to benefit payments to counteract the effects of rising prices in the economy.

Covered Payroll – the annual compensation paid to active employees covered by the pension plan.

Cost-Sharing Multiple-Employer Plan – a single benefit plan that pools all risks, rewards and costs associated with providing benefit for more than one employer. The trust's assets can be used to pay the benefits of any employees of a participating employer.

CPI / CPI-U – Consumer Price Index / Consumer Price Index for All Urban Consumers – expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power.

Credit Rating – a measure of a borrower's creditworthiness; a rating of how much risk the investor should expect regarding the borrower's ability to repay principle and make promised interest payments.

DB – Defined Benefit Plan – a retirement plan sponsored by an employer where the employee benefits are computed using a set formula.

DC – Defined Contribution Plan – a retirement plan in which the employee and/or the employer make contributions on a regular basis – often a 401(k) plan.

Deferred Outflow/Infow – consumption/acquisition of net assets that is applicable to a future reporting period. Changes in plan assets or liabilities that are not to be factored into a government's financial statements right away.

DEI – Diversity, Equity and Inclusion

Discount Rate – the percentage factor used to compute the present value of a pension plan's liabilities

ECB – European Central Bank

Entry Age Cost Method – Entry Age is the age on the valuation date minus the years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percent of compensation.

EPS – Earnings per Share – the portion of a company's profit allocated to each outstanding share of common stock.

ERISA – Employee Retirement Income Security Act of 1974 – rules that private sector qualified plans must follow to ensure plan fiduciaries do not misuse plan assets.

ESG – Environmental, Social and Governance

ETF – Exchanged Traded Fund – a basket of securities you buy or sell on a stock exchange; similar to a mutual fund but trades on an exchange and has high daily liquidity and lower fees.

FED – Federal Reserve – is the central bank of the United States.

FINRA – Financial Industry Regulatory Authority – the single largest independent regulatory body for securities firms operating in the United States. FINRA primarily regulates BDs and RRs.

FED Board – Federal Reserve Board – governing body of the Federal Reserve Bank, charged with overseeing the 12 District Reserve banks and, more generally, supervising and regulating the United States banking system.

Funded Ratio – an expression of the plan's assets in relationship to its liabilities.

GAAP – Generally Accepted Accounting Principles – a framework of accounting rules, procedures and standards.

GAS – Governmental Accounting Standards

GASB – Governmental Account Standards Board

GDP – Gross Domestic Product – the total monetary or market value of all of the finished goods and services produced within a county's borders.

GIPS – Global Investing Performance Standards – investment performance standards which are prepared by an independent third party after verifying performance to ensure fair representation and full disclosure of investment performance results.

GNP – Gross National Product – a monetary measure of the market value of all final goods and services produced by residents of a country, no matter their location, in a period of time used to assess the growth of individual country's economies.

IBS – Investment Belief Statement

IPO – Initial Public Offering – the first time a stock of a private company is offered to the public.

IPS – Investment Policy Statement

Legacy Cost – the present value of future benefit costs allocated in an actuarial valuation to service prior to the valuation year, less any assets that have been set aside and dedicated to paying for those future benefits.

Level Dollar Amortization Method – Unfunded liabilities can be amortized over a closed or open number of years such that the plan expects to pay the same dollar amount each year.

Level Percentage of Payroll Amortization Method - Unfunded liabilities can be amortized over a closed or open number of years such that the plan expects to pay the same percentage of payroll each year.

LIBOR – London Interbank Offered Rate - a benchmark rate that leading banks charge each other for short-term loans

MVA – Market Value of Assets – the value of a plan's assets as measured by the amount that would be received if the plan sold the assets – also called fair value of assets

MBS – Mortgage-Backed Securities – an investment similar to a bond that is made up of a bundle of loans, usually with similar characteristics

MLP – Master Limited Partnership – a limited partnership that is publicly traded, it combines the tax benefit of a limited partnership with the liquidity of publicly traded security

MSCI ACWI ex US – Morgan Stanley Capital International All Country World Index excluding the US – market-cap weighted index designed to provide a broad measure of stock performance throughout the world, with the exception of U.S based companies. Includes 22 developed markets and 26 emerging markets.

MSCI EAFE – Morgan Stanley Capital International Europe, Australia, New Zealand and the Far East – stock market index designed to represent the performance of large and mid-cap securities across 21 developed markets. Covers approximately 85% of market capitalization in each country.

MSCI EM – Morgan Stanley Capital International Emerging Markets – stock market index that reflects the performance of large and mid-cap companies in 25 fast-growing economies around the world. Currently includes the stocks of companies based in Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru,

Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

NASDAQ – National Association of Securities Dealers Automated Quotations – a global electronic marketplace for buying and selling securities, as well as a benchmark index for U.S. technology stocks.

NAV – Net Asset Value – value of a fund’s assets less the value of its liabilities per unit. The value per share of a mutual fund or ETF on a specific date or time.

Nareit – National Association of REITs – Lobby group with a focus on U.S. real estate.

NCREIF – National Counsel of Real Estate Investment Fiduciaries – Non-profit with a focus on collecting, analyzing, and presenting performance data of the real estate investment market.

NPL – Net Pension Liability (previously used NPO – Net Pension Obligation) – Total Pension Liability minus the plan fiduciary net position. NPL is what former accounting standards referred to as the unfunded actuarial accrued liability. NPO was based on annual amounts not contributed to the plan and the NPL is based on the entire unfunded liability.

NFI-ODCE – National Counsel of Real Estate Investment Fiduciaries Open-End Diversified Core Equity – Index of investment returns (gross of fees) of the largest private core real estate funds.

OCIO – Outsourced Chief Investment Officer

OPEB – Other Post-Employment Benefits

Open Group – In reference to an actuarial valuation, an indication that the actuary has projected future costs of benefits for retirees and current employees but has also included the future costs of benefits for employees who are yet to be hired.

Open Period – a set number of years over which an amount is amortized every year – the amortization period always remains at the set number of years and does not decline as in a closed period.

P/E – Price-to-Earnings Ratio – a valuation ration where a company’s current share price is divided by its per-share earnings. A higher P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

Pension Reserves – amounts set aside to meet future pension liabilities.

PEPRA – Public Employees Pension Reform Act of 2013

POB – Pension Obligation Bond – taxable bond where the proceeds are dedicated entirely to the government’s pension obligations.

PPI – Producer Price Index – focuses on the whole output of producers in the United States.

QE – Quantitative Easing – when a central bank purchases government securities from the market in order to lower interest rates and increase the money supply.

RIA – Registered Investment Advisor – an advisor or firm engaged in the investment advisory business and registered with either the Securities and Exchange Commission or state securities authorities.

REIT – Real Estate Investment Trust – companies that own or finance income-producing real estate in a range of property sectors. REITs are intended to allow individual, retail investors the opportunity to acquire ownership in commercial real estate.

ROA – Return on Assets – a financial ratio that indicates how profitable a company is in relation to its total assets.

ROE – Return on Equity – the amount of net income returned as a percentage of shareholders equity.

ROI – Return on Investment – measures the gain or loss generated on an investment relative to the amount of money invested.

Russell 3000 – capitalization weighted market index that measures the performance of the 3,000 largest publicly held companies incorporated in America, representing approximately 97% of the American public equity market.

Russell 2000 – stock market index that tracks the smallest 2000 stocks in the Russell 3000 Index.

Russell 1000 – stock market index that tracks the largest 1000 stocks in the Russell 3000 Index.

Russell Midcap – stock market index that measures the performance of the 800 smallest companies in the Russell 1000 Index.

SEC – Security and Exchange Commission – the Federal agency responsible for the oversight and enforcement of laws pertaining to the securities industry.

Sensitivity Analysis – a test performed to determine how changing an assumption, method, or other factor would change the outcome of the valuation.

SIV – Structured Investment Vehicle – is a non-bank financial entity that attempts to profit from credit spreads between short-term debt and long-term structured finance products, such as asset back securities.

SMA – Separately Managed Account – a portfolio of individual securities managed on your behalf by a professional asset management firm.

S&P – Standard & Poors – a financial market intelligence corporation that provides credit ratings on bonds, countries and other investments.

S&P 500 – stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

UAAL – Unfunded Actuarial Accrued Liability – the excess of the Actuarial Accrued Liability over the Assets.

YTM – Yield to Maturity – the total rate of return earned by a bond when it makes all interest payments and repays the original principal.