

GLOSSARY OF INVESTMENT TERMS

12b-1 Fees

Ongoing fees paid out of fund assets that may be used to pay commissions to brokers or other salespersons, to pay costs of promoting the funds, and to pay for advertising, including the printing and mailing of prospectuses.

Administrative Expenses

The cost of operating the plan, including, but not limited to, marketing expenses. This expense is usually subtracted prior to the calculation of the fund performance.

Advisory Service Fee

The fee charged by an investment company for online, in-person, and/or third-party investment guidance.

Annuity

A type of contract usually issued by an insurance company that provides income for a specified period of time or for the remainder of the holder's life.

Asset-Based Fee

Administration fee charged by an investment company based on the assets in the participant's account at a given point in time.

Balanced Fund

A fund that provides total return by investing in a combination of equity and fixed income securities.

Basis Point (BP)

A basis point is a unit that is equal to 1/100th of 1%, and is commonly used to express the change in a financial instrument.

Bond

A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.

Capital

Assets of a business. Also refers to claims on the corporation's assets represented by its outstanding securities.

Capital Growth

Increase in market value of securities.

Cash Equivalent

Includes receivables, U.S. government securities, short-term paper, short-term municipal bonds, and corporate bonds and notes.

Commercial Paper

Short term, unsecured promissory notes issued by corporations to finance short-term credit needs.

Common Stock

A security representing ownership of a corporation's assets.

Common Stock Premium

Percentage above asset value at which the stock sells.

Conversion

The exchange of a convertible type of asset into another type of asset, usually at the predetermined price, on or before a predetermined date. The conversion feature is a derivative and is valued separately from the underlying security and added to the overall value of the security.

Custodial Fee

A fee charged annually and used to establish and maintain the plan.

Custodian

Bank or trust company holding all securities and cash owned by an investment company.

Debenture

Bond secured only by the general credit of a corporation.

Deferred Sales Charge (Back End Fee or Load)

Fee charged at the time the fund is sold. The rates are usually calculated on a declining scale based on the length of time the funds have been held.

Deferred Variable Annuity

Insurance contract providing for variable annuity payments to commence at some future date based on stocks or a fluctuating bond portfolio.

Defined Benefit Plan

A retirement plan that provides a benefit based on a formula. Example: years of service x multiplier factor x average salary = benefit.

Defined Contribution Plan

A retirement plan that provides a benefit based on account balance at the time of retirement. During the years of employment, the employee makes payments (contributions) of a specific amount.

Distribution

A removal of assets from a retirement account that is paid to the retirement account owner or beneficiary.

Dividend

Distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Earnings

Per common share equals net income after all charges, divided by number of common shares outstanding.

Equity

Stock or any other security representing an ownership interest.

Exchange Traded Fund (ETF)

A fund that is similar to an index fund in that it will primarily invest in securities that are included in a particular market index.

Expense Ratio

Percentage of total fund assets used to cover expenses associated with the operation of a mutual fund.

Fixed Annuity

Insurance contract guaranteeing the owner/beneficiary a specified monthly amount, even if the insured outlives his/her life expectancy.

Fixed Income Fund

A fund that seeks current income and preservation of capital with slightly higher risk levels compared to stable value funds.

Front End Fee (Front End Fee or Load)

Fee charged at the time the fund is purchased.

Global Equity Fund

A fund that seeks capital appreciation primarily in equities of issuers located around the world, including the United States.

Growth Stock

Stock that is intended to show better than average growth in earnings and whose growth is expected to continue.

Income

Gross income is the total amount of dividends, interest, etc. (but not capital gains), before deduction of expenses. Net income is the balance after deduction of expenses, fixed charges, and taxes.

Income Fund

A fund that seeks current income as the primary objective.

Index Fund

A type of mutual fund whose objective is to achieve the same return as a certain market index, such as the S&P 500.

International Equity Fund

A fund that seeks capital appreciation through investment, primarily in equities, of issuers located outside the United States.

Joint and Survivor Option

A type of annuity that makes payments for the lifetime of two or more beneficiaries.

Large Cap Blend Fund

A fund that provides long-term growth of capital by investing in large capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Large Cap Growth Fund

A fund that provides long-term growth of capital by investing in large capitalization portfolios that primarily invest in growth-oriented equities.

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Large Cap Value Fund

A fund that provides long-term growth of capital by investing in equities believed to be trading below their fundamental worth.

Life Cycle Fund

A fund that seeks total return in a combination of equities and bonds. Generally, the level of risk is based on a retirement date, and funds with a date further in the future carry a higher risk.

Life Expectancy Option

A payout option available at termination of employment at an age earlier than the minimum distribution age. The payment is calculated by dividing the accumulation by the life expectancy of the individual. Life expectancy may incorporate a second person. Life expectancy is recalculated on an annual basis.

Lifetime Annuity

Monthly payments for the life of the owner, regardless of how long he/she lives.

Liquid

Easily converted into cash or exchangeable for other values.

Load

Sales charge paid by the investor.

Management Company

Organization that, directly or through subsidiaries, provides management and/or distribution facilities for mutual funds.

Management Fee

Payment made to an investment company for the supervision of its portfolio. Also known as investment management fee.

Mid Cap Blend Fund

A fund that seeks capital appreciation by investing in medium capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Mid Cap Growth Fund

A fund that seeks capital appreciation by investing in medium-capitalization portfolios that invest in stocks believed to have above-average potential for growth.

Mid Cap Value Fund

A fund that seeks capital appreciation by investing in medium-capitalization stocks believed to be trading below their fundamental worth.

Minimum Distribution Age

The age at which the IRS requires the beginning of tax-deferred accumulation distributions. The distribution must begin by April 1 of the calendar year following the year in which the participant turns 70½, retires, and/or separates from service, whichever is later.

Minimum Distribution Payment

A payout option available at the minimum distribution age, 70½, and after termination of employment. This payment is calculated by dividing the accumulation by the life expectancy of the individual. Life expectancy may incorporate a second person. The life expectancy is recalculated on an annual basis.

Money Market Fund

A fund that seeks to invest in fixed income securities with little or no risk. Funds in this category typically invest in Treasury bills, commercial paper, banker's acceptances, negotiable certificates of deposit, repurchase agreements, and short-term debts of U.S. government agencies.

Mutual Fund

A fund that is an open-end investment that invests money of its shareholders in a usually diversified group of securities of other corporations.

Net Asset Value

The total value of the fund's portfolio less liabilities, usually calculated on a daily basis.

No Load Funds

A mutual fund or annuity that does not assess a sales charge.

GLOSSARY OF INVESTMENT TERMS CONTINUED

Portfolio

The group of assets, such as stocks, bonds, and mutual funds, held by an investor.

Preferred Stock

A stock entitled to receive earnings and assets before common stock is entitled to receive earnings and assets.

Proprietary Fund

Generally, a mutual fund made available exclusively by the issuing investment company.

Prospectus

An official document describing the shares of a security issue. Applies to mutual funds, variable annuities, and closed end companies only when new capital is raised. It must be supplied to each investor.

Redemption Fee

A fee charged by some funds to shareholders when they sell their shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. A redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund.

Reinvestment Privilege

Special service offered by most mutual funds through which dividends from investment income may be invested automatically in additional full and fractional shares.

Rollover

A method of transferring tax-deferred funds from one tax deferred program to another. The funds remain tax deferred.

Self-Directed Brokerage Account

Investment option that allows the participant more control over the investments selected. This option makes thousands of mutual funds and exchange traded funds available for investment.

Short-Term Trading Fee

A fee that is charged for holding funds for a short period of time, often less than 30 days.

Small Cap Blend Fund

A fund that seeks capital appreciation by investing in small capitalization portfolios that may invest in value-oriented and growth-oriented equities.

Small Cap Growth Fund

A fund that seeks capital appreciation by investing in small capitalization portfolios that invest in stocks believed to have above-average potential for growth.

Small Cap Value Fund

A fund that seeks capital appreciation by investing in medium-capitalization stocks believed to be trading below their fundamental worth.

Socially Responsible Equity Fund

A fund that seeks capital appreciation by investing in companies and industries identified for having qualities that meet certain "socially responsible" criteria. Funds in this category typically do not invest in companies engaged in the production of tobacco, weapons, nuclear energy, and other products deemed to be hazardous to the greater society.

Stable Value Fund

A fund that seeks to invest in a diversified portfolio of fixed income securities and investment contracts through a strategy to achieve returns in excess of money market rates, but with low levels of risk.

Standard & Poor's (S&P) 500 Index Fund

A fund that seeks to provide long-term growth of capital by approximating the return and risk profile of the S&P 500 Index.

Stock

A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

Straight Life Annuity

An insurance product that makes periodic payments to the annuitant until his or her death, at which point the payments stop completely. These products do not allow annuitants to designate a beneficiary.

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Surrender or Withdrawal Charge (Back-End Load)

A fee charged at the time the fund is sold. The rates are usually calculated on a declining scale based on the length of time the funds have been in the account.

Systematic Withdrawal

A payment option that allows the recipient to designate the payment amount to be received and the frequency of the payments.

Tax-Free Exchange Fund

A fund held by an investment company organized to permit investors holding individual securities, selling at appreciated prices, to exchange such securities for the shares of the fund without payment of capital gains tax.

Tier 1 (ORP specific term)

Selective, highly competitive investment funds in each of 18 core asset classes. These funds are selected by the investment company and are reviewed annually by an independent financial analyst. Life cycle funds are included in this tier.

Tier 2 (ORP specific term)

A variety of investment options selected by the investment company.

Tier 3 (ORP specific term)

The self-directed brokerage account investment option that allows the participant more control over the investments selected. This option makes thousands of mutual funds and exchange traded funds available for investment.

Total Return

The actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends, and distributions realized over a given period of time.

Treasury Bill

Non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt.

U.S. Government Securities

Bills, notes, and bonds issued by the U.S. Treasury at a discount.

U.S. Treasury Bond Fund

A marketable, fixed-interest U.S. Government debt security with a maturity over 10 years.

Variable Annuity

An annuity contract under which the payments are not fixed but fluctuate with common stock or bond prices.

Vested/Vesting

The process by which employees accrue nonforfeitable rights over employer contributions that are made to the employee's qualified retirement plan account.

Volatility

The relative rate at which a security or fund share tends to move up or down in price.

Yield

Income received from an investment, expressed as a percentage of market price.

Yield to Maturity

Rate of return on a debt security held to maturity. Both interest and capital gains/losses are included.