VI. GLOSSARY OF FUNDING TERMS

ACTUARIAL ACCRUED LIABILITY (AAL): The portion of the Present Value of Benefits which will not be paid by future Normal Costs. It represents the value of past Normal Costs with interest to the valuation date. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions and participant data had always been in effect, contributions equal to the Normal Cost had been made and all actuarial assumptions came true.

ACTUARIAL COST METHOD: allocates a portion of the total cost (PVB) to each year of service, both past service and future service, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

ACTUARIAL GAINS AND LOSSES: A measure of the difference between actuarial experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined by a particular Actuarial Cost Method. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or "actuarial gain" as of the next valuation. Actuarial gains and losses include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.

ACTUARAL VALUATION: The determination, as of a specified date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

ACTUARIAL VALUE FUNDED RATIO: the ratio of the AVA to the AAL.

ACTUARIAL VALUE OF ASSETS (AVA) OR SMOOTHED VALUE: The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

ENTRY AGE NORMAL ACTUARIAL COST METHOD: a funding method that usually calculates the Normal Cost as a level percentage of pay over the working lifetime of the plan's members. VFCA calculates the Normal Cost as a level dollar amount over the expected service period.

MARKET VALUE FUNDED RATIO: the ratio of the MVA to the AAL.

MARKET VALUE OF ASSETS (MVA): the fair value of assets of the plan as reported in the plan's audited financial statements.

NORMAL COST (NC): The portion of the Present Value of Benefits which is allocated to a valuation year by the Actuarial Cost Method.

PRESENT VALUE OF BENEFITS (PVB) OR TOTAL COST: the “value” at a particular point in time of all projected future benefit payments for current plan members. The “future benefit payments” and the “value” of those payments are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the plan has assets equal to the PVB and all actuarial assumptions are met, then no future contributions would be needed to provide all future service benefits for all current members, including future service and salary increases for current active members.

SURPLUS: If the UAAL is negative, this is usually referred to as a Surplus**.**

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL): the excess of the AAL over the AVA.

VALUATION DATE: June 30 of every year.