Retirement Services Glossary of Terms

12b-1 Fees
– Its name is derived from the section in the Investment Company Act of 1940 that allows a mutual fund to pay distribution and marketing expenses out of the fund's assets.
– Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services.

401(k) plan
Under section 401(k) of the Internal Revenue Code, employees can set aside money for retirement on a pre-tax basis through a plan sponsored by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 401(k) plan contributions and earnings.

ACP
The Actual Contribution Percentage (“ACP”) Test is an annual retirement plan non-discrimination test (see definition of “NDT”) that compares the total employer matching contributions made on behalf of highly compensated employees (“HCE”) to the total employer matching contributions made on behalf of non-highly compensated employees (“NHCE”).

Adjusted Gross Income
The sum of wages, salaries, dividends, interest, capital gains, business income, etc., less certain adjustments allowed under the Internal Revenue Code, which may include, for example: deductible individual retirement account contributions, SIMPLE and Keogh plans, job-related moving expenses, any penalty paid on early withdrawal of savings, the deduction of 50% of the self-employment tax paid by self-employed taxpayers, and alimony payments.

Administrative Fees
Contract maintenance fees. These fees are often charged at a flat rate of $30 to $50 per contract. If stated as a percentage, they are typically about 0.15% of contract value.

ADP
The Actual Deferral Percentage (“ADP”) Test is an annual retirement plan non-discrimination test (see definition of “NDT”) that compares the total pre-tax contributions of highly compensated employees (“HCE”) to the total pre-tax contributions of non-highly compensated employees (“NHCE”).

Amended Plan
An Administaff-internal term used in reference to the Administaff 401(k) Plan, which was “amended” to comply with Rev. Proc. 2001-21. The plan should be referred to externally as the Administaff 401(k) Plan.

After-Tax Contribution
The salary amount you contribute into a defined contribution plan, using a portion of your salary that has already been included in your taxable income. Income taxes have already been calculated on the amount contributed. However any earnings on these contributions can grow tax-deferred. Income taxes are not due on any earnings until they are withdrawn from the plan.

Aggressive Growth Mutual Fund
Aggressive growth mutual funds seek maximum capital appreciation, frequently by holding stocks of rapidly growing companies which have histories of or prospects for above-average profit growth. These funds are more volatile than more conservative funds; their value can rise and fall quickly; and they pay little or no dividends. However, over time these funds have the potential to offer higher returns.

Aggressive Investment
Such an investment focuses more on increasing the value of the original investment as an investing priority than on price stability or income. As a result, aggressive investments involve more investment risk.

Appreciation
When an investment increases in value, it appreciates. For example, a stock whose price goes from $20 a share to $25 a share has appreciated by $5.
Retirement Services Glossary of Terms

**Asset**
Property having a commercial or exchange value, such as cash and investments, comprises a person’s assets; i.e., anything that has value and can be traded. Examples include stocks, bonds, real estate, bank accounts, and jewelry.

**Asset Allocation**
When you divide your money among various types of investments, such as stocks, bonds, and short-term investments (also known as “instruments”), you are allocating your assets. The investments in which your money is divided are called your asset allocation.

**Asset Allocation Fund**
Asset allocation funds have the ability to shift assets among asset classes (for example equities, bonds, and short-term instruments). Asset allocation funds take the concept of a private asset manager—a skilled professional who builds and manages a comprehensive portfolio for a client—and apply it to a mutual fund.

**Average Annual Return**
Average annual total return is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variation in performance; they are not the same as actual year-by-year results.

**Back-End Load**
A commission or sales fee that is charged when mutual fund shares are redeemed. It generally declines annually, decreasing to zero over an extended holding period.

**Balanced Mutual Fund**
This is a mutual fund that invests in a diversified portfolio of both stocks and bonds. Its goal is to obtain the highest total return consistent with a low risk strategy. Because a portion of the fund’s assets are invested in bonds and other debt obligations, its price usually will not vary as much as that of a growth fund.

**Beneficiary**
A person who will inherit money or other property left by a decedent. A beneficiary may be named in a will, trust, retirement plan, individual retirement account, or insurance policy. A trust or institution also can be named as a beneficiary.

**Blended Investments**
Blended Investments allocate portions of their portfolio in more than one asset class. They may include a mixture of stocks, bonds, and/or short-term assets.

**Blue Chip Mutual Fund**
Blue Chip Mutual Funds focus on well-known companies with long histories of paying dividends and increasing profits. These companies have reputations for quality management, products, and services. Their prices tend to rise and fall in sync with the overall market.

**Blue Chip Stocks**
These are stocks of well-established companies that have a history of earnings and dividend payments, as well as a reputation for quality management, products, and services. While not all large cap stocks are blue chip stocks, there is usually a large cap bias to blue chip stocks.

**Bonds**
Bonds are essentially loans or debt. A bond certificate is like an IOU: It shows the amount loaned (principal), the rate of interest to be paid on the loan, and the date that the principal will be paid back (maturity date). Bonds can be issued by government agencies, such as the U.S. Treasury, and by corporations to raise money.

**Bond Mutual Fund**
This is a mutual fund that is primarily invested in bonds.
**Retirement Services Glossary of Terms**

**Capital**
This is the amount of money you have invested. When your investing objective is capital preservation, your priority is trying not to lose any money. When your investing objective is capital growth, your priority is trying to make your initial investment grow in value.

**Capital Appreciation**
As the value of the securities in a portfolio increases, a fund's share price increases, meaning that the value of your investment rises. If you sell shares at a higher price than you paid for them, you make a profit, or capital gain. If you sell shares at a lower price than you paid for them, you'll have a capital loss. Keep in mind that taxes are handled differently in a retirement account. Capital gains are treated as ordinary income when distributed from a retirement account.

**Capital Gain**
Profit from a sale of an investment constitutes a capital gain. For example, if you bought a share of stock for $5 and later sold it for $7.50, you would have a capital gain of $2.50. Capital gains are taxed as ordinary income when distributed from a retirement plan.

**Catch-up Contribution**
If you reach age 50 or older by the end of the calendar year and have contributed the maximum plan or IRS limit to your plan account, you may be able to make an extra pretax contribution above the annual limit that would otherwise apply, if your plan allows. This benefit will allow you to contribute an additional $5,000 in 2006. Thereafter, the limit will be indexed for inflation in $500 increments.

**Commingled Pool**
A "commingled pool" is similar to a mutual fund because it combines the money of many investors who own a share of the pool. Both mutual funds and commingled pools have a fund manager who invests the assets on behalf of all the shareholders. Commingled pools, however, are different from mutual funds in the way they are set up legally. Each mutual fund is a separate investment company and is registered with the Securities and Exchange Commission. The mutual funds offered through the Plan are available to the general public. The commingled pool offered through the Plan is not available to the general public. It is part of a group trust maintained by a bank for the collective investment of qualified pension or profit sharing plans. A group trust must be maintained in accordance with applicable Internal Revenue Code and Department of Labor regulations.

**Common Stocks**
When people talk about a company's stock, they usually mean common stock. When you own common stock in a company, you share in its success or failure. As part owner, you vote on important policy issues, such as picking the board of directors. If the company prospers, you may get part of the profits, in the form of dividends. Also, the value of your share of the company may go up; common stock generally has the most potential for growth. However, that value also can drop if the company does poorly, and if it goes bankrupt, common stockholders are the last to receive any payment.

**Company Matching Contribution**
Also called the "employer match," this is money that an employer contributes to a participant's retirement plan account, matching all or a portion of the employee's contribution. The match is made according to plan provisions. The contribution and any associated earnings are not taxed to the employee until withdrawn from the retirement plan.

**Competing fund**
A fixed income fund (usually a money market or bond fund which has little, if any, market volatility) with characteristics similar to a stable value option and for which certain exchange restrictions exist with respect to a stable value option. This type of restriction may also be referred to as an equity wash.

**Compounding**
When you deposit money in a bank, it earns interest. When that interest also begins to earn interest, the result is compound interest. Investing in a retirement plan is different from putting money in the bank, but you still get the benefits of compounding. Compounding occurs because bond income or dividends from stocks or mutual funds are reinvested. Because of compounding, money has the potential to grow more rapidly than if income were not reinvested.
Commissions:
– Any fee that typically goes to the broker.
– **Front-End Load** – this fee typically goes to the brokers that sell the fund's shares.
– **Back-End Load** – a.k.a. deferred sales charges, a fee you pay when you sell your shares. The most common type of back-end sales load is the "contingent deferred sales load" (also known as a "CDSC" or "CDSL"). The amount of this type of load will depend on how long the investor holds his or her shares and typically decreases to zero if the investor holds his or her shares long enough.

**Conservative investment**
A conservative investment, or strategy, focuses primarily on capital preservation rather than capital appreciation.

**Cost of living adjustment (COLA)**
The change (usually an increase) in wages or pension benefits to keep pace with the change in the cost of living due to inflation.

**Cumulative returns percentage**
The cumulative returns percentage shows the compounded rate of return over a stated period of time. This is an actual return over the designated time period, and not an average.

**Defined-CONTRIBUTION PLAN**
This is a type of retirement plan in which the level of contributions made by the participating employee and the benefits will vary, depending on contributions to the plan and the return from the investment options elected by the participant. Investors don't owe any income taxes on pre-tax contributions or on any earnings until they take a withdrawal or distribution from their plan account.

**Distribution**
This refers to a total withdrawal from a retirement account or to the withdrawal of any cash or other property distributed to shareholders or general partners that arises from their interests in the business, investment company, or partnership.

**Diversification**
This concept of investing your money among different kinds of investments could potentially moderate your investment risk. It's the idea of not putting all your eggs in one basket. A diversified portfolio may help shield you from large losses because, even if some securities falter, others may perform well. Diversification does not ensure a profit or guarantee against loss.

**Dividend**
When companies pay part of their profits to shareholders, those profits are called dividends. A mutual fund's dividend is money paid to shareholders from investment income the fund has earned. Mutual fund dividends generally may be reinvested or taken in cash. In employer-sponsored retirement plan accounts, dividends are automatically reinvested.

**Dollar cost averaging**
This is a method of investing. A specific amount of money is invested at regular intervals in the same investment. Because you invest the same amount each time, you automatically buy less of the investment when its price is higher and more when its price is lower. Though the method doesn't guarantee a profit or guard against loss in declining markets, the average cost of each share is usually lower than if you buy only in boom times. For dollar cost averaging to work, you must continue to invest regularly over time and purchase shares in both market ups and market downs.

**Dow Jones Industrial Average**
This is the most widely used indicator of how the country's industrial leaders are performing. Also known as the DJIA, this is an unmanaged price-weighted index based on the stock prices of 30 major industrial companies. These 30 companies are chosen from sectors of the economy most representative of our country's economic condition. There are three other Dow Jones Averages: the transportation, the utility, and the composite.

EGTRRA
EGTRRA (The Economic Growth and Tax Relief Reconciliation Act of 2001) was signed into law on June 7, 2001, and contains the most sweeping tax package in recent history. The new law reduces income tax rates over the next few years, expands employer-sponsored retirement plan, IRA, and college savings opportunities, and phases out, and ultimately repeals, estate taxes. Certain provisions are effective immediately and others will be phased in over the next several years. In addition, all of these provisions are scheduled to expire on December 31, 2010, unless legislation is enacted to extend them before that time.

Emerging Growth Fund
Emerging growth funds invest in companies that the fund manager believes are in the developing stage of their life cycle, and offer the potential for accelerating earnings or revenue growth.

Employer match
Also called the "company matching contribution," this is money that an employer contributes to a participant's retirement plan account, matching some or all of the employee's contribution. The match must be made to the participant according to plan provisions. Pre-tax contributions and any associated earnings are not taxed until withdrawn from the retirement plan.

Employer-sponsored retirement savings plan
Any of several plans set up by employers so that their employees may take advantage of tax-deferral on retirement savings. Additionally, some employers match employee savings or make other contributions to the plan. Types of plans include: Keogh, Profit Sharing or Money Purchase plans, 401(k)s, 403(b)s, and 457 plans.

Equity
This is another term often referring to stocks or stock investments. When you own part of something, such as your home, you have equity in it. A stock is an equity investment because each share means you own part of the company that issued it.

Equity Income Fund
Equity income funds seek relatively high current income and growth of income through investing a large proportion of their portfolio in income-producing equities.

Equity Mutual Fund
This type of mutual fund invests primarily in stocks. The fund's goal is to make money from increases in the prices of the stocks that it holds. An equity growth fund invests primarily in growth stocks.

Excess Contribution Election
Also called a "spillover election," this election, available in some plans, determines how your contributions will be handled if you reach the annual IRS maximum pre-tax contribution limit. This election allows you either (1) to suspend contributions, which means no additional employee money will be contributed to your retirement plan account on a pre-tax basis for the remainder of the year, or (2) to continue to contribute, but on an after-tax basis, if your plan allows. That means contributions to your plan may continue with "after-tax" contributions (money on which income taxes have already been calculated) for the remainder of that tax year.

Exchange
This action refers to selling some or all of one investment option in your account and buying another. The mutual funds available through a retirement plan reserve the right to modify or withdraw the exchange privilege, for example, in cases where excessive trading or conversion out of an investment option can undermine the objective of the fund.

Expense Ratio
The expense ratio is the annual percentage of the fund's average net assets that is paid out in expenses. Expenses include management fees and all the fees associated with the fund's daily operations.
Retirement Services Glossary of Terms

Fixed Income Fund
This type of mutual fund invests in fixed income securities.

Fixed Income Securities
These securities pay a fixed rate of return by investing in government, corporate, or municipal bonds, which pay a fixed rate. These investments could offer you an advantage in times of low inflation, but are not likely to protect you against the declining buying power of your money during times of high inflation.

Forfeitures
If an employee terminates employment before being fully vested, the assets attributable to employer contributions in that employee’s retirement account that are not vested will be forfeited. The forfeitures may be used to reduce future employer contributions used to pay plan expenses or reallocated among the remaining participants in the retirement plan, depending on the plan provisions.

Global Equity Fund
These broadly diversified funds offer the highest level of diversification among international funds because they can invest anywhere in the world, including the U.S. Note that foreign investments can involve greater risks than U.S. investments. These risks, especially in emerging markets, include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations.

Growth Funds
These funds try to make money from increases in the prices of stock that they hold rather than from dividends. They are more volatile than more conservative funds; their value can rise and fall quickly; and they pay little or no dividends. However, over time these funds have the potential to offer higher returns.

Growth and Income Fund
These funds invest for both long-term growth from stocks as well as regular dividend income. Some growth and income funds are weighted more heavily toward growth, others toward income.

Growth Stocks
Some companies' stocks have shown or are expected to show quick earnings and revenue growth. These stocks may be more volatile investments than most other stocks, and an investor usually receives little or no dividend payments.

Hardship Withdrawals
If you have an immediate and heavy financial need, you may be able to withdraw money from your retirement plan as a hardship withdrawal. However, restrictions vary by plan. If you need money for the purchase of a primary home, prevention of eviction from or foreclosure on your primary home, payment of certain medical costs, or eligible post-secondary education expenses for you, your spouse, or your eligible dependents, you might be able to withdraw money from your 401(k) retirement plan for those expenses if plan provisions allow. But such a hardship withdrawal will still be subject to taxes and possible early withdrawal penalties. Your employer may be ultimately responsible for determining whether a certain instance constitutes an emergency eligible for a hardship withdrawal.

Hardship withdrawals are not considered eligible rollover distributions and are not subject to 20% mandatory withholding. However, any hardship withdrawals will be taxed as ordinary income in the year distributed and may be subject to a penalty when you file your income tax return.

High-Yield Bond Fund
These mutual funds invest in high-yield bonds, sometimes known as “junk” bonds. The chance that the company issuing such bonds will default on that loan is higher than with other bonds. That’s why higher yield bonds usually pay a higher interest rate to get people to buy them, but these bonds also have greater risk associated with them.

Highly-Compensated Employee
The IRS defines employees as “highly compensated” if they meet one or more of the following criteria:

- During the "determination" (current) year or the "look-back" (preceding) plan year, they owned more than 5% of their company
Retirement Services Glossary of Terms

- During the look-back (preceding plan) year, they earned more than the minimum annual salary as indexed, and, if their employer elects, were in the top 20% of the employees ranked in order of compensation.

**In-Service Withdrawal**
A withdrawal of certain contributions, as specified in the plan document, from the employer-sponsored retirement plan while you are still actively employed.

**Index Fund**
A mutual fund that tries to match the results of a particular index, such as the S&P 500®, an unmanaged index of common stock prices. A bond index measures the behavior of a group of bonds, such as treasuries or corporate bonds. An investment cannot be made directly in an index.

**Inflation**
When the price of goods and services rises, the result is called inflation. This means that things you buy today at one price are likely to cost more in the future.

**Inflation Risk**
It is the risk you run that the return on your investments will not keep up with the cost of living. If the return on your investments does not, your money will buy less and less as time goes on.

**Interest Income**
The amount paid by a borrower as compensation for the use of borrowed money. This amount is generally expressed as an annual percentage of the principal amount.

**Intermediate Bond Fund**
Generally, this is a mutual fund that buys bonds with maturities from three to ten years.

**International Equity Fund**
International equity funds invest assets in securities whose primary trading markets are outside of the United States. Note that foreign investments involve greater risks than U.S. investments. These risks, especially in emerging markets, include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations.

**Investment Options**
One or more investment portfolios offered within a defined contribution plan, such as a 401(k) or 403(b), into which contributions by you or your employer may be invested.

**Issuer**
A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.

**Liquidity**
The ability to convert an asset into cash relatively quickly without substantially affecting the asset's price.

**Load**
This is a sales charge added to the price of a mutual fund share. Mutual funds that don't have sales charges are called no-load funds.

**Loan**
A loan is a feature that may be offered by your plan that enables you to borrow money from your plan account and pay it back through automatic after-tax payroll deduction. Generally, the maximum loan amount is the lesser of 50% of your vested account balance or $50,000, less the highest outstanding loan balance in the last 12 months, and can be financed for up to five years. As long as you repay the loan on time, you won't be subject to withholding taxes or early withdrawal penalties.

**Lump sum distribution**
A lump sum distribution is a payment, within one taxable year, of the entire balance under the plan (and certain other similar plans of the employer) that is payable due to attainment of age 59 ½, separation from service, disability, or death.

**Managed Income Fund**
A stable value fund (not a mutual fund) whose goal is to provide a competitive level of income over time.
while preserving the value of your investment. These funds try to maintain a $1 unit price, but cannot assure that they will be able to do so. Managed income funds purchase investment contracts offered by major insurance companies and other approved financial institutions and a small portion of short-term instruments to provide daily liquidity. Investment contracts pay interest at a specified rate for the life of the contract, and repay principal when the contract becomes due.

Some investment contracts are structured solely as a general debt obligation of the issuer. Other investment contracts ("wrap contracts") are purchased in conjunction with the purchase of fixed income securities or units of bond funds, which invest in such securities. The "wrapper" contract enables the security to be valued at its original cost plus interest and is designed to even out the investment return on the fixed income securities and bond funds. The investment contract and fixed income security commitments are backed solely by the financial resources of the issuer. In addition, investment contract issuers may impose a contract penalty on withdrawals or exchanges from the fees caused by an extraordinary corporate event (layoff, sale of a line of business, etc.). Units of a fund are not guaranteed by the manager or the plan sponsor or insured by the FDIC.

**Market Risk**
If a child catches the flu, there's a good chance the rest of the family will, too. Market risk works the same way for stocks and bonds. If investors are pessimistic, the sentiment may spread, thereby tending to cause prices of all stocks to drop, regardless of how well any one company is doing. You cannot eliminate market risk, but you can take steps to reduce your exposure to it, such as **diversifying** your investments among many different securities or investing in mutual funds, which offer built-in diversification.

**Maturity**
This is the length of time (term) before a debt, such as a bond, is due to be repaid in full.

**Mid/Large Cap Stock Fund**
Mid/large capitalization funds by prospectus or portfolio style limit their investments to companies on the basis of size. Although the boundaries can vary, mid-cap stocks are generally those whose total outstanding share value is between $1 billion and $7 billion. Large-cap stock funds generally invest in companies over $7 billion in share value.

**Minimum Required Distribution (MRD)**
No later than April 1 of the year following the year in which you reach age 70 1/2, the IRS generally requires you to withdraw a minimum amount of money from your tax-deferred retirement accounts for that year. Thereafter, you are required to calculate and withdraw the minimum required amount by December 31 of each year. This calculated amount is called a Minimum Required Distribution.

Qualified plans may allow participants to defer taking their MRDs until April 1 of the calendar year after the year in which they retire. Consult your plan administrator to determine your Required Beginning Date, the date in which you must begin taking MRD's.

**Money Market Fund**
These mutual funds invest in short-term securities but are not insured or guaranteed by the FDIC or any other government agency. Because the price of each share tends to stay at $1, investors often use them to temporarily hold money to be invested later. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in these funds.

**Morningstar Category**
In an effort to distinguish funds by what they own, as well as by their prospectus objectives and styles, Morningstar developed the Morningstar Categories. While the prospectus objective identifies a fund's investment goals based on the wording in the fund prospectus, the Morningstar Category classifies funds based on their investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, Morningstar estimates where it will fall before assigning a more permanent category. When necessary, Morningstar may change a category assignment based on current information.
Morningstar Ratings
Morningstar categorizes funds by their actual holdings using a methodology that incorporates, in the case of equity funds, the capitalization of the fund’s holdings and its price/earnings and price/book ratios. Bond funds are categorized according to their duration and credit quality characteristics. Rankings reflect the historical risk-adjusted performance of the funds as compared to the funds tracked within its asset class. Morningstar, Inc., is an independent provider of financial information. Morningstar does not endorse any broker/dealer, financial planner, insurance company, or mutual fund company.

Mutual Fund
When you invest in a mutual fund, your money is pooled with money from other investors, and a professional money manager buys and sells securities with this money to pursue the fund's objectives and to seek to earn a profit for its investors. This is the most common type of investment within defined contribution plans.

NASDAQ 100 Index
An unmanaged index that includes 100 of the largest non-financial domestic companies listed on the NASDAQ National Market tier of the NASDAQ Stock Market. Each security in the index is proportionately represented by its market capitalization in relation to the total market value of the Index. All index components have a minimum market capitalization of $500 million, and an average daily trading volume of at least 100,000 shares.

NASDAQ Composite Index
The Nasdaq Composite Index is a market capitalization weighted, unmanaged index that is designed to represent the performance of the National Association of Securities Dealers Quotation System, which includes more than 5,000 stocks traded only over the counter and not on an exchange. The index does not include the reinvestment of dividends.

Net Asset Value (NAV)
The dollar value of one mutual fund share, excluding any sales charges or short-term trading fees. The NAV is calculated by subtracting liabilities from the value of a fund's total assets and dividing by the number of fund shares outstanding.

NDT
Annual nondiscrimination tests ("NDT"s) are mandated by the Internal Revenue Service Code §401(k)(3). These tests ensure that a retirement plan benefits all employees and does not discriminate in favor of highly compensated employees.

Net Worth
A person's net worth is equal to the total value of all possessions, such as a house, stocks, bonds, and other securities, minus all outstanding debts, such as mortgage and revolving credit lines.

Nikkei Stock Average Index
An index of 225 leading stocks traded on the Tokyo stock exchange.

No-Load Fund
A mutual fund that does not charge a sales fee for mutual fund transactions, such as buying and selling shares, is called a "no-load" fund.

ORK
An acronym for “Outside Recordkept” Plan, ORK is used by Payroll and Retirement Services in reference to retirement plans (for Administaff clients) that are recordkept outside of ARS.

Payroll Deduction Contribution Amount
The amount of money you elect to have automatically deducted from your pay and contributed to your retirement plan account each pay period. This amount may be in dollar or percentage terms.

Plan Sponsor
The entity, usually an employer, that has established a retirement plan, selected the type of plan and funding options, and determined the method of funding plan benefits.
Plan Year
The 12-month period on which the plan maintains records for reporting to participants and completed filings as required by the Internal Revenue Service (IRS) and the Department of Labor (DOL).

Points
To cover administrative costs, lenders often require you to pay mortgage origination fees, called "points." One point equals 1% of your mortgage amount. You may have to pay as much as three points. You may also choose to pay more than the minimum; the more points you pay, the lower your interest rate.

Pre-Tax Contribution
The salary amount you defer, or contribute, into a defined contribution plan before income taxes are calculated on that money. You do not pay any federal income tax nor, in most cases, state income taxes on the amount you defer, up to the annual maximum IRS dollar limit, or on any earnings on this money, until it is withdrawn from your plan account.

Price/Earnings Ratio
This is the price of a stock divided by its earnings per share. This ratio gives an investor an idea of how much they are paying for a particular company's earning power. A trailing P/E refers to a ratio that is based on earnings from the latest year, while a forward P/E uses an analyst's forecast of next year's earnings. For instance, a stock selling for $20 a share that earned $1 last year has a trailing P/E of 20. If the same stock has projected earnings of $2 next year, then it has a forward P/E of 10.

Price-to-Book Value
This is the price of stock divided by its book value. Book value is the sum of a company's assets minus its liabilities, as determined from its balance sheet. For instance, a stock with a market price of $30 per share and a book value of $15 per share would have a price-to-book value per share of 2. The ratio of price-to-book value gives an investor an idea about the relationship between the stock's price and the company's underlying value. Other things being equal, people who invest for value prefer companies with a low ratio of price-to-book value.

Prototype Plan
Term used to describe the ARS Defined Contribution Plan and Trust. Clients that are not eligible for the Administaff 401(k) Plan may be eligible for this plan, if they satisfy Prototype plan criteria.

Profit Sharing Contribution
Contributions that an employer may put into a retirement plan account for employees. The amount is usually calculated as a percentage of salary. Contributions may be based on the company's profits and are subject to plan rules and IRS limits. The employer can decide yearly how much can be contributed. Generally, you do not have to contribute your own money to the retirement plan in order to receive the profit sharing, though your plan may impose vesting or other eligibility requirements.

Profit Sharing Plan
This is a type of defined contribution retirement plan. Profit sharing plans generally allocate a discretionary amount of money annually to an eligible employee's account. Contributions are made to the profit sharing accounts of each eligible employee, and those contributions may then be invested in accordance with plan provisions in investment options made available under the plan.

Prospectus
This brochure provides a thorough description of a mutual fund. It explains the fund's objective, how it invests its money, the background of managers, fees and expenses associated with the fund, and other essential data.

Qualified Higher Education Expenses
Under a qualified plan, a distribution from a qualified plan is deemed to satisfy the requirements for a hardship withdrawal if it is made for payments of tuition, related educational fees, and room and board expenses for the next 12 months of post-secondary education for the employee, or the employee's spouse, children or dependents. Please refer to Hardship Withdrawals for more information.

Qualified Home Purchase Expense
Under a qualified plan, a distribution from a qualified plan is deemed to satisfy the requirements for a
hardship withdrawal if it is made for costs related to the purchase of the employee’s principal residence (excluding mortgage payments). Please refer to Hardship Withdrawals for more information.

**Qualified Retirement Plan**
A qualified retirement plan is a stock bonus, pension, or profit-sharing retirement plan that:

- meets Internal Revenue Code requirements
- permits contributions by your employer and may permit you to make contributions for your (and your beneficiaries) exclusive benefit.
- allows some kinds of tax benefits (such as deferring payment of taxes on some contributions and earnings)
- restricts distribution of the money so it is used in retirement, except under certain circumstances.
- requires a written document which describes the features of the plan.

Both defined benefit plans (such as a pension plan) and defined contribution plans (such as a 401(k) plan) may be qualified retirement plans.

**Redemption Fee**
You pay this fee when you redeem, or sell, your shares after 181 days. Not all funds charge redemption fees. Check the fund prospectus for details.

**Rollover IRA**
Also called a "Conduit IRA," this is an Individual Retirement Account that can hold eligible money distributed from an employer's qualified retirement plan, 403(b) or governmental 457(b) plan. Often, an individual establishes such an account while he or she decides what to do with the distribution. The account must be either a new one or one that has other rollovers in it. Recent tax law changes have generally increased your rollover options. However, we encourage you to consult your tax advisor before consolidating your retirement savings assets. Certain special tax treatments such as forward averaging and pre-1974 capital gain may not be available if you commingle IRA assets.

**Sector funds**
Sector funds invest in the stocks of one specific sector of the economy, such as health care, chemicals, or retailing. Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors. The risk level of a sector fund is typically influenced by a fund's inherent volatility and by factors affecting the industry in which it invests.

**Securities**
This term includes stocks, bonds, and short-term investments, which are forms of negotiable and non-negotiable indebtedness or ownership.

**Series EE Savings Bonds**
The U.S. government issues these bonds in amounts from $50 to $10,000. The interest is exempt from state and local taxes, and no federal tax is due until the bonds are redeemed.

**Series HH Bonds**
These bonds pay interest semi-annually and earn interest over 10 years, although Congress may extend that maturity date. These bonds range in denominations from $500 to $10,000, and they are subject to current taxes.

**Share Price**
For a mutual fund, the value of one share is known as its share price, or its net asset value (NAV), and is generally calculated daily but may be calculated more frequently. That's because the value of a fund's securities changes in response to the movements of the stock, bond, and money markets. Multiplying the share price, or NAV, times the number of shares you have in the fund gives you the value of your investment.
Retirement Services Glossary of Terms

Short-Term Bond Fund
This mutual fund invests in bonds that mature in one to three years. It is sometimes used as an alternative to a money market fund because it usually pays a higher rate of interest, although the risk of loss may be greater.

Short-Term Investments
Short-term investments help to bring stability to your portfolio. They provide current income and seek to preserve the principal of your investment. They also tend to provide the lowest returns over the long term. Examples of these investments include certificates of deposit (CDs), Treasury bills, and money market instruments.

Short-Term Trading Fee
Some mutual funds charge this fee to discourage short-term trading in and out of the fund. It is charged to investors who hold their shares for less than a pre-determined period of time (such as 90 days or 120 days). This fee (e.g. 0.75%, 1.5%, etc.) varies depending on the fund. Not all funds charge this fee; check a fund's prospectus for more details.

Small Cap Stock Fund
Small capitalization funds by prospectus or portfolio style limit their investments to companies on the basis of size. Although the boundaries can vary, small-cap stocks are generally those whose total outstanding share value falls below $1 billion in value. Investments in smaller companies may involve greater risks than those in larger, more well known companies.

Source
A source is the origin of your money in your retirement plan. Examples of sources include: employee contribution (the money you contribute), company match (the money your employer may contribute), and rollover (the money that you may have rolled over into this plan from a prior employer's qualified retirement plan or an IRA).

Source Group
A collection (group) of sources that move in unison. Examples of source groups include pre-tax money and after-tax money. Your plan may allow you to make a "source group" exchange. That is, you may exchange money that came from a specific source group (e.g., pre-tax money) into an investment option of your choice.

Special Tax Treatment
If you meet certain requirements, you may be eligible to elect special tax treatment on a lump sum distribution that you take from your employer plan. Please refer to your "Special Tax Notice Regarding Plan Payments" or your tax advisor for more details.

Spillover Election
Also called an "excess contribution election," this election, available in some plans, determines how your contributions will be handled if you reach the IRS maximum pre-tax contribution limit. This election allows you either (1) to suspend contributions, which means no additional employee money will be contributed to your retirement plan account on a pre-tax basis for the remainder of the year, or (2) to continue to contribute, but on an after-tax basis, if your plan allows. That means contributions to your plan may continue with "after-tax" contributions (money on which income taxes have already been calculated) for the remainder of that tax year.

Stable Value Fund
An investment option which may be offered by a plan. A stable value fund generally invests in investment contracts, certain types of fixed income securities (e.g., U.S. treasury bonds, corporate bonds, mortgage-backed securities, bond funds), and money market investments. While the stable value fund tries to maintain a stable $1 unit price, the fund cannot guarantee that this unit price will be maintained and its yield may fluctuate. The goal of the stable value fund is to preserve the participant's principal investment while earning interest income.
Standard & Poor's 500 Index (S&P 500®)
The S&P 500® Index is an unmanaged index of the common stock prices of 500 widely held U.S. stocks. Standard & Poor's calculates the market prices of these stocks, including the reinvestment of dividends, as a way to track the performance of the stock market in general.

Standard & Poor's Mid-cap 400 Index (S&P 400)
The Standard & Poor's Mid-cap 400 Index is an unmanaged market capitalization-weighted index of 400 medium-capitalization stocks.

Standard Deviation
This is a measure of risk for an investment's return. The investment can be an individual stock or bond, a mutual fund or other type of investment. An investment usually has an expected return that is based on the average return it has offered investors over some historical time period. However, the actual return in any given year will almost always be greater or less than this amount. Standard deviation measures the historical dispersion, or spread, of returns from the average return. The greater the spread of returns, the larger the standard deviation. Standard deviation is used to compare the risk of one investment to another or one portfolio to another. For example, an investment with a standard deviation of 15% is riskier than an investment with a standard deviation of 12%. The greater the standard deviation, the greater the probability of realizing a return which is greater than or less than the average return.

Stock Mutual Fund
Such a mutual fund primarily invests in stocks. Sometimes it is called an equity or growth fund.

Stocks
When you own a company's stock, you own part of the company. How much you own depends on how many shares of stock you have. Holders of common stock are the last to be paid any profits from the company but are likely to profit most from the company's growth. Owners of preferred stock are paid a fixed dividend before owners of common stock are paid, but the amount of the dividend doesn't usually grow if the company grows.

Tax Credit
This is an offset against taxes due. The credit is subtracted from the amount of tax you owe on your federal income tax form.

Tax-Deferred Retirement Plan
This is a retirement plan that allows you to postpone (or defer) paying current income taxes on any pre-tax contributions you make to the plan as well as contributions (if any) that may be made by your employer. Payment of income taxes is also deferred on any related earnings in the account until you withdraw the money from the plan. Such a plan allows you to set aside part of your pay for retirement.

Tax-Exempt Bonds
These are sometimes referred to as "municipals" or "munis" and are issued by state and local governments. Interest on such bonds is often tax-free.

Taxable Bonds
These bonds are primarily issued by the U.S. government, agencies of the U.S. government (such as Ginnie Mae), and U.S. corporations.

Total Account Assets
The total value of your account, which consists of the total market value plus the value of any unsettled trades.

Total Market Value
The total value of an account as of the previous business day, taking into account any market fluctuations up to that day.
Treasury Bills
Also known as "T-Bills", these investments mature in a year or less and are issued by the U.S. government. They require at least a $10,000 investment. They are sold at less than face value, and the interest is paid when the T-Bills mature and reach face value.

Treasury Bonds
Treasury bonds are long-term debt instruments with maturities of 10 years or longer. They are issued in minimum denominations of $1,000. Though repayment of the initial investment in a "T-bond" is guaranteed when the bond matures, its value can go up and down in the meantime, like that of Treasury notes and other bonds. That means that when you sell it before maturity, it could be worth more or less than you paid for it.

Treasury Notes
These are intermediate government securities with maturities of one to ten years. Denominations range from $1,000 to $1 million or more. Notes are sold by cash subscription, in exchange for outstanding or maturing government bond issues, or at auction.

Unitized Stock Fund
A unitized stock fund is expressed in "units" instead of shares. This is because the fund is made up of company stock plus a percentage of short-term investments determined by the plan sponsor. The short-term investments are used to meet participant requests to sell units (for exchanges out, withdrawals, distributions, or loans) without waiting the standard three business days for the proceeds from an individual stock sale to be received.

On days of unusually heavy outflows, the funds may not have enough short-term investments for liquidity. If that happens in a unitized stock fund that Fidelity administers, requests to sell units received by Fidelity before the marked close may not be processed on that day. In that case, requested sales of units will be suspended and, as liquidity is restored, suspended transactions will be processed, generally on a first-in first-out basis, as the closing price for the processing date. The value of a unitized stock fund investment will vary depending on the performance of the company stock, the overall stock market, and the amount of short-term instruments in the fund.

Unsettled Trades
Exchanges from non-unitized company common stock to other investment options require up to three business days to settle. The value of unsettled trades is the value of exchanges from stock that, as of statement end date, have not settled and been invested into other investment options.

Value Fund
Value funds seek out companies that the fund manager believes are undervalued relative to their book value or their current or projected earnings. These companies may appear to be good opportunities because they have new management, or a new product, or have made some important change in their business.

Vested Balance
The value of your account balance that you are entitled to under the plan's rules. You are always vested in your own contributions and any associated earnings. However, any employer contributions and their earnings may be subject to a vesting "schedule" established by your employer based on years of service.

Vesting
Vesting is a term used to describe the portion of your account balance that you are entitled to under the plan's rules. When a plan sponsor contributes money to your plan account, it resides in your account, but doesn't become fully yours until you've completed a certain number of years of service. Depending on the provisions of your plan, the amount you are vested increases by a certain percentage after each year of service you have with the employer and you become fully vested after a certain number of years (or, in some plans, immediately). When your employer contributes to your account, the money resides in your account under your name and becomes your "vested balance" after you meet your plan's requirements.
Retirement Services Glossary of Terms

Volatility
In investing, volatility refers to the ups and downs of the price of an investment. The greater the ups and downs, the more volatile the investment.

Withdrawals
Plans may allow you to take withdrawals (also called distributions) from your plan account for different reasons. A common withdrawal type is the “hardship withdrawal.”

Tax consequences can vary depending on the source of the withdrawal, and whether it's eligible for rollover into another plan or IRA. If eligible rollover balances are withdrawn and not rolled over, they will be subject to a mandatory income tax withholding and ordinary income taxes. (You may owe more or less when you file your income taxes.) If you are under age 59 1/2, the taxable portion of your withdrawal is also subject to a 10% early withdrawal penalty, unless you qualify for an exception to this rule. The plan document and current tax laws and regulations will govern in the case of a discrepancy.

Be sure you understand the tax consequences of any withdrawal or distribution before you initiate one. You should consult with your tax adviser or an attorney about your situation.

Yield
The amount of interest paid annually on a bond or money market instrument, stated as a percentage of the face value of the instrument.