



**TEXAS ASSOCIATION
OF COLLEGE TEACHERS**



**TEXAS COMMUNITY COLLEGE
TEACHERS ASSOCIATION**

ORP/TDA

2004 Glossary of Terms

Annual Policy Fee—Fee assessed by an insurance company for administrative costs associated with printing the contract and mailing statements and confirmations. This is sometimes called a contract charge.

Banded interest rate—Rate of interest that is attached and credited to each deposit. The rate, when changed, constitutes a new band and the old band will continue to earn the rate through the guarantee period.

Contingent Deferred Sales Charge (CDSC)—Fee assessed from the date of purchase; can be a rolling charge or a non-rolling charge. This is as a back-end load.

Current Interest Rate—Rate of interest paid by an insurance company on deposits and accumulations in a fixed account. The current interest rate is usually higher than the minimum guaranteed rate.

Custodian charge—Fee assessed by a mutual fund for administrative costs associated with printing the contract and mailing statements and confirmations.

Dollar Cost Averaging—Systematic purchase of shares at a specified period of time each month. Shares purchased in this manner are typically less expensive over the long term.

EGTRRA—The Economic Growth and Tax Relief Reconciliation Act of 2001 increased the tax-advantaged savings limits and changed many IRS policies on education savings plans, tax rates, “catch up” limits, low income savings benefits, rollover opportunities, and purchasing service credits from defined benefit plans.

Expense Risk—Cost paid by the holder of a variable annuity contract that guarantees all expenses associated with the contract will not increase for the life of that contract.

Investment Advisory Expenses—Fee assessed against a variable account or mutual fund for the cost of administering the fund, such as the investment advisor, overhead costs, research, and other expenses.

Load—Sales charges assessed for buying a product, usually certain types of mutual funds.

Minimum Guaranteed Rate—Contractually guaranteed minimum amount or floor interest rate paid on deposits and accumulations in a fixed account by an insurance company.

Mortality Expense—An insurance cost, unique to a variable annuity, that guarantees the greater of deposits or face value of the contract to the heirs at the participant’s death.

No-Load—Denotes no front-end charges are assessed upon the purchase.

Non-Rolling Charge—Upon expiration of some specified contract anniversary, penalties will no longer be assessed on any deposit.

Portfolio interest rate—A stated rate of interest paid on a pool of money regardless of when the money is received.

Rolling Charge—Penalty assessed for early withdrawal based upon a contract period calculated for each deposit.

Stepped-up death benefit—An enhanced mortality feature under which an insurance company guarantees to pay the heirs a value greater than deposits.

Surrender Charges—Penalty charge assessed on contributions when the contract owner does not meet his obligations of time in the contract.

TEFRA—Tax Equity & Fiscal Responsibility Act of 1982.

12-b-1 charge—An ongoing expense paid to the investment professional by the investor.

Two-tier interest rates—A contract stating two rates of interest. If annuitized, the rate is A; if a cash option is elected, the rate is B. The A rate is always higher than the B rate.

Withdrawal Charges—Penalty charge assessed on contributions when the contract owner does not meet his obligations of time in the contract.