

Investment Term	Definition
<b>12b-1 Fees</b>	Annual fees charged by a mutual fund company for marketing and distribution costs. Fund shareholders pay these fees. A majority of these fees are paid to agents and broker dealers as commissions.
<b>401(k)</b>	A section of the Internal Revenue Code (IRC) that created a tax-deferred retirement plan for corporate employers. It is available to governmental employers who adopted plans prior to 1989. Certain non-profit organizations can also have these plans. Voluntary contributions must be deducted from an employee's paycheck. Employer contributions and transfers/rollovers are other ways that a 401(k) account can be funded. A 401(k) account can be invested in a wide array of investments. A 401(k) plan is the responsibility of the employer under federal tax and labor law. This employer responsibility is greater than with 403(b) plans. Because of this involvement an employer has fiduciary responsibility for the 401(k) plan.
<b>403(b)</b>	A section of the Internal Revenue Code (IRC) that created a tax-deferred retirement plan for public school employees and certain other types of non-profit organizations. Voluntary contributions must be deducted from an employee's paycheck. Employer contributions and transfers/rollovers are other ways that a 403(b) account can be funded. A 403(b) account can only be invested with an annuity policy or a mutual fund held under a custodial account that meets the requirements of 403(b)(7) of the IRC.
<b>457(b)</b>	A section of the Internal Revenue Code (IRC) that created a tax-deferred retirement plan for governmental employers, public school districts and certain other types of non-profit organizations. Voluntary contributions must be deducted from an employee's paycheck. Employer contributions and transfers/rollovers are other ways that a 457(b) account can be funded. A 457(b) account can be invested in a wide array of investments. A 457(b) plan is the responsibility of the employer under both federal and Texas law. This employer responsibility is greater than with 403(b) plans. Because of this involvement an employer has fiduciary responsibility for the 457(b) plan. The 457(b) is the only retirement account which does not carry a 10% early withdrawal tax penalty for distributions prior to age 59 1/2.
<b>Active Money Management</b>	An investment management strategy where active managers rely on analytical research, forecasts and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. Active managers take advantage of market opportunities as they occur, in contrast to passive management. Funds with active management typically have higher fees than those with a passive investment strategy.
<b>Aggressive</b>	An investment approach that accepts above average risk of loss in return for potentially above average investment returns.
<b>Annual Report</b>	A yearly report of an investment's (e.g., mutual fund or company's) financial position and operations.
<b>Annual Rate of Return</b>	The annual rate of gain or loss of an investment expressed as a percentage.
<b>Appreciation</b>	An increase in the value of an investment.
<b>Asset Allocation</b>	A method of investing by which investors include a range of different investment classes – such as stocks, bonds, and cash alternatives or equivalents – in their portfolios. See Diversification.
<b>Back-end Load</b>	A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also called a contingent deferred sales charge.
<b>Balanced Funds</b>	A fund which automatically rebalances to a predetermined asset allocation. An example would be a fund which holds 60% in stock, 30% in bonds, and 10% in cash. As the market goes up and down the fund will automatically adjust the holdings to the 60/30/10 allocation. Rebalancing a portfolio on a regular basis automatically results in buying more when prices are going down and selling more when prices are going up.
<b>Basis Points</b>	One-hundredth of one percent, or 0.01%. For example, 20 basis points equal 0.20%. Investment expenses, interest rates, and yield differences among bonds are often expressed in basis points.
<b>Benchmark</b>	An unmanaged group of securities whose performance is used as a standard to measure investment performance. Some well-known benchmarks are the Dow Jones Industrial Average and the S&P 500 Index.
<b>Bond (Debt Obligation)</b>	A debt security which represents the borrowing of money by a corporation, government, or other entity. The borrowing institution repays the amount of the loan plus a percentage as interest. Income funds generally invest in bonds.

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<b>Bond Funds</b>	A fund that invests primarily in bonds and other debt instruments. A Bond Fund has an investment objective like stock Mutual Funds. It can be low risk or high risk, and short-term and long-term, depending on the creditworthiness and time until maturity of the bonds held. Unlike individual bonds held to maturity (that have adequate creditworthiness) there is a risk of loss of principal with Bond Funds.
<b>Bond Ladder</b>	A portfolio of individual bonds designed to hold each bond to maturity. The portfolio is structured so that bonds with different maturities will mature over an extended period of time. By building a ladder of varying maturities (including long and short term) the overall return can be higher and an income stream is created. The income can be used for living expenses, particularly with retirees, or used to reinvest in additional bonds.
<b>Broker</b>	A person who acts as an intermediary between the buyer and seller of a security, insurance product, or mutual fund, often paid by commission. The terms broker, broker/dealer, and dealer are sometimes used interchangeably.
<b>Capital Gain</b>	An increase in the value of an investment, calculated by the difference between the net purchase price and the net sale price.
<b>Capital Loss</b>	The loss in the value of an investment, calculated by the difference between the purchase price and the net sale price.
<b>Capitalization (CAP)</b>	The total market value of a company's outstanding equity.
<b>Capital Preservation</b>	An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.
<b>Conservative</b>	An investment approach that accepts lower rewards in return for potentially lower risks.
<b>Contingent Deferred Sales Charge (CDSC)</b>	A charge imposed when redeeming a "B" share of a mutual fund. This charge is to compensate the individual or company selling the fund shares. A CDSC can also be call a Contingent Deferred Sales Load, or Back-end Load. The CDSC will usually be lowered gradually over time. Typically the CDSC will be about 3 to 5 percent declining over 3 to 7 years. The annual fees associated with a B share typically are higher than an A shares. C shares typically also have a CDSC.
<b>Creditable Compensation</b>	The amount of salary paid to a member by their employer during the school year that is used in the calculation of the member's benefit (3 or 5 years highest average salary, depending on TRS status).
<b>Custodian</b>	A person or entity (e.g., bank, trust company, or other organization) responsible for holding financial assets.
<b>Deferred Load</b>	This is also known as a back-end sales charge, and it is imposed when investors redeem shares. The percentage charged generally declines the longer shares are held, and it is usually applied to the lower of the beginning price or ending price. This charge is often coupled with higher 12b-1 fees in B or C share classes as an alternative to a traditional front-end load fund. With a deferred, an investor has the advantage of getting the full financial power fo their investment from the onset.
<b>Defined Benefit (DB) Plans</b>	A retirement plan in which by plan rules defines the benefit that will be paid to the plan participant. The plan sponsor is required to fund the plan based on an actuary's calculations in the amount that will provide the promised benefit. Most people call these plans "Pensions". TRS is a DB plan because it provides a defined benefit (Yrs of Service X Avg Salary X 2.3%). Typically a DB plan will have vesting requirements and then provide an annuity payment for the life of the recipient.
<b>Defined Contribution (DC) Plans</b>	A retirement plan which by plan rules defines the contribution. The benefit to the plan participant is the account value accumulated from the plan contributions and earnings on these. Employer sponsored retirement plans have been moving towards DC plans for many years. Most 401(k) plans, 403(b) plans, and 457(b) plans are all examples of DC plans.
<b>Designated Investment Alternative</b>	The investment options picked by your plan into which participants can direct the investment of their plan accounts.
<b>Diversification</b>	The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment.
<b>Dividend</b>	Money an investment fund or company pays to its stockholders, typically from profits. The amount is usually expressed on a per-share basis.
<b>Dow Jones Industrial Average (Dow or DJIA):</b>	A widely followed price-weighted index of 30 of the largest, most widely held U.S. stocks.
<b>Emerging Market Funds</b>	A fund which focuses on companies in developing countries. Because of the inherent instability of developing markets these investments carry very high risk.

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<b>Equity Indexed Annuities (EIA)</b>	An investment vehicle offered by an insurance company which is categorized as a type of Fixed Annuity. An insurance company invests a majority of the annuity funds in the same investment as a Fixed Annuity. The remaining balance is used to purchase call options on a particular equity index (e.g., the S & P 500). If the stock market goes down it does not affect the value of the policy because the actual index is not owned by the policyholder. If the market goes up the call options become more valuable and a higher interest rate (partially based on the index performance) can be paid to the policyholders. An EIA does not participate in dividends from the companies in the equity index. Dividends have made up a significant portion of the returns associated with some indicies, such as the S&P 500. EIAs are very complicated investments which provide for no investment losses and the potential for partial index investment gains. Most policies have Surrender Charges to withdraw funds (see the Surrender Charges definition). The sale of EIAs as promising stock market returns with no risk has been criticized by regulatory agencies as misleading.
<b>Expense Ratio</b>	The expense charged by a Mutual Fund for operating costs associated with running the fund. This includes administrative expenses, marketing and distribution costs, and fund manager compensation. These expenses can range from under .15% annually to over 3.00% annually depending on the type of share class, investment objective, and fund family.
<b>Fiduciary Responsibility</b>	The legal obligation that requires anyone who provides services to others to make decisions that are in the sole interest of the person they serve. Plan Sponsors as well as Registered Investment Advisors have Fiduciary Responsibility. This term is most commonly used with regard to investments.
<b>Fixed Annuity</b>	An investment vehicle offered by an insurance company in which the company (a) guarantees the return of principal in the policy plus a guaranteed interest rate and (b) pays a "declared" interest rate based on current company returns. An insurance company generally bases its interest rate on the earnings of the general assets of the company. This usually includes high quality mortgages and intermediate term bonds. Fixed annuities typically do not have administrative fees. The insurance company makes money on the difference between what the investments earn and what is paid out to policyholders. It is difficult to determine what this difference is because it is not disclosed and is set by the insurance company. Most policies have Surrender Charges to withdraw funds (see the Surrender Charges definition).
<b>Front-End Sales Load</b>	A charge imposed on each share purchase (contribution) when buying an "A" share of a mutual fund. This charge is to compensate the individual or company selling the fund shares. A Front-end Sales Load is limited by to 8.5% and is typically 3 to 5 percent.
<b>Fund Name</b>	The fund's official name, or an abbreviation thereof, as stated in the fund's prospectus. Morningstar attempts to limit the extent to which fund name abbreviation is made by keeping the family name or first word intact whenever possible. As a general rule, the words Fund, Shares, Class, Series, Trust (not including class designation), and articles at the beginning of a funds's name are omitted. They appear, however, in cases where their omission could confuse two funds or groups. The fund name is taken directly from the prospectus. The names normally do not change, unless the fund itself changes its name. (Description provided by Morningstar)
<b>Government Pension Offset (GPO)</b>	The Government Pension Offset affects the amount of Spousal or Widower's benefit you will receive from Social Security if you will be receiving a pension benefit from most federal, state or local governments, including TRS. Your Social Security benefit will be reduced by two-thirds of your TRS or other governmental pension. You will receive the difference in addition to your full pension benefit. This offset <i>only</i> effects those who will qualify for Social Security benefits through their spouse.
<b>Growth Funds</b>	A fund which focuses on companies which are believed to have growth potential. Usually a growth company will spend more of the company profits on internal company investment to grow the company.
<b>Guaranteed Period Annuity</b>	A reduced annuity payment made payable for a guaranteed minimum period of time. The Standard Annuity benefit is reduced based on the member's age and period chosen. The annuity payment is paid to the retiree throughout their lifetime; however, if the retiree dies before the guaranteed number of payments have been made a beneficiary will receive the remaining payments. TRS allows members to choose between a 5 and 10 year guaranteed period.

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<b>High Yield Bond</b>	High Yield Bond Portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios generally invest in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.
<b>Index Funds</b>	A fund that attempts to mimic a particular index. The most common example is the S & P 500. There are hundreds of indices available. These funds are not Actively Managed.
<b>Individual Retirement Account (IRA)</b>	A retirement account available to most taxpayers. Unlike employer sponsored retirement account an IRA has almost limitless investment vehicles. No loans are permitted and annual contribution limits are much lower than payroll deducted plans. Other retirement account with the same tax qualification status can be "rolled" into an IRA.
<b>International Funds</b>	A fund which focuses on companies which are based outside of the United States. There can be increased risks associated with non-US companies. However, in a global economy there can also be significant risk in not be adequately diversified.
<b>Investment Policy Statement (IPS)</b>	The Investment Policy Statement can be considered the business plan for the portfolio. It outlines the general rules that the investment advisor will follow to achieve the client's desired outcome for the portfolio. Minimum components of an IPS should include: The duties and responsibilities of all parties, Diversification and rebalancing guidelines, Due diligence criteria to be used in selecting investments, Monitoring criteria for investment options and service vendors, and procedures for controlling and accounting for investment expenses. <i>(Description provided by fi360)</i>
<b>Joint and Survivor Annuity</b>	A reduced annuity payment that provides a life annuity to the participant and a survivor annuity for the spouse after the participant's death. The Standard Annuity benefit is reduced by TRS based on the age of the beneficiary and the percentage of benefit chosen for the beneficiary. TRS allows members to choose among a 100%, 75% and 50% survivor options. If the beneficiary was to pre-decease the member then the reduced benefit is increased back to the Standard Annuity amount.
<b>Large Capitalization (Large Cap)</b>	Companies which have a Market Capitalization of \$10 billion or more (approximations, definitions vary by source). Please see the definition of Market Capitalization.
<b>Life Cycle Funds (Target Funds)</b>	A fund which automatically will change the investments and allocations to lower risk as time progresses. An example would be a fund designed to provide funds in 2030: In 2010 the allocation is 80% stocks, and 20% bonds. In 2020 the allocation is 60% stocks, 35% bonds, and 15% cash. In 2030 the allocation is 10% stocks, 50% bonds, and 40% cash.
<b>Market Capitalization</b>	The measure of a company's total value. It is estimated by determining the cost of buying an entire business in its current state. It is the total dollar value of all outstanding shares. It is calculated by multiplying the number of shares outstanding by the current market price of one share.
<b>Market Risk</b>	The possibility that the value of an investment will fall because of a general decline in the financial markets.
<b>Micro Capitalization (Micro Cap)</b>	Companies which have a Market Capitalization below \$300 million (approximations, definitions vary by source). Please see the definition of Market Capitalization.
<b>Middle Capitalization (Mid Cap)</b>	Companies which have a Market Capitalization between \$2 billion and \$10 billion (approximations, definitions vary by source). Please see the definition of Market Capitalization.
<b>Money Market Funds</b>	A fund which has only short term investments which can be considered as cash or cash equivalents. Very low risk. Unlike most types of Mutual Funds in which the share value changes with the underlying value of the investments held by the fund, each share in a Money Market Fund is priced at a value of \$1.00 and earnings are credited to this.
<b>Morningstar</b>	A leading mutual fund research and tracking firm. Morningstar categorizes funds by objective and size, and then ranks fund performance within those categories.
<b>Mortality &amp; Expense Charge (M &amp; E)</b>	A annual fee charged by an insurance company in a Variable Annuity contract. This fee covers the cost of providing a guaranteed return of principal in the event of the policy owner's death.

Investment Term	Definition
<b>Mutual Fund</b>	An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to parallel the performance of a selected benchmark or index.
<b>NASDAQ</b>	The National Association of Securities Dealers Automated Quotation, also called the "electronic stock market." The NASDAQ composite index measures the performance of more than 5,000 U.S. and non-U.S. companies traded "over the counter" through NASDAQ.
<b>Net Asset Value (NAV)</b>	The net dollar value of a single investment fund share or unit that is calculated by the fund on a daily basis.
<b>Non-creditable Compensation</b>	Compensation received by the member that is not counted towards salary for the purpose of the benefit calculation. A few examples of non-creditable compensation would include expense payments, payments for unused vacation or sick leave, allowances, and payments for work as an independent contractor or consultant (does not count towards 3 or 5 highest average salary).
<b>No-Load Fund</b>	A mutual fund whose shares are sold without a sales commission and which does not charge a combined 12b-1 fee and service fee of more than 25 basis points or 0.25% per year.
<b>Partial Lump Sum Option (PLSO)</b>	A large one time distribution of retirement benefits resulting in a permanently lower annuity payment. The reduction is based upon age and amount of distribution selected. TRS allows for 12, 24, or 36 months of the Standard Annuity to be withdrawn under the PLSO. Contact your tax advisor for possible tax consequences.
<b>Passive Money Management</b>	An investing strategy that mirrors market indexes and does not attempt to beat the market. Followers of Passive Money Management believe in efficient markets. In Efficient Market Theory once information becomes public the new information is incorporated into the pricing of securities immediately. Instead of focusing on "beating the market", a passive strategy attempts to control fees and costs of investing. This is the opposite of Active Money Management.
<b>Peer Group</b>	In an effort to distinguish funds by what they own, as well as their prospectus objectives and styles, Morningstar developed Categories. While the prospectus objectives identifies a fund's investment goals based on the working in the fund prospectus, the Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio and other statistics over the past three years).
<b>Portfolio</b>	A collection of investments such as stocks and bonds that are owned by an individual, organization, or investment fund.
<b>Prospectus</b>	The official document that describes certain investments, such as mutual funds, to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.
<b>Rebalance</b>	The process of moving money from one type of investment to another to maintain a desired asset allocation.
<b>Retirement Gap</b>	The difference in retirement income from TRS, Social Security, or other pensions and the actual cost of living. This difference can grow over time as inflation raises the cost of living.
<b>Roth Retirement Accounts (401(k), 403(b), IRA)</b>	A Roth retirement account has different tax treatment from traditional pre-tax accounts. Retirement accounts historically have tax sheltered contributions and are tax deferred until withdrawal. A Roth account contribution is not tax sheltered, but the earnings are never taxed if the account is operated in accordance with federal tax rules.
<b>Rule of 80</b>	Refers to a vesting requirement by TRS to qualify for certain retirement benefits. '80' equals the total of the number of service credits (years of service) under TRS plus current age. This can be any combination (e.g. 25 years of service at 55 years old or 30 years of service at 50 years old). Other benefits may have different vesting requirements (Rule of 70 or Rule of 90), but the concept is the same.
<b>Sector Funds</b>	A fund which focuses on companies in a particular sector of the economy. Examples include healthcare, technology, or energy.
<b>Small Capitalization (Small Cap)</b>	Companies which have a Market Capitalization between \$2 billion and \$300 million (approximations, definitions vary by source). Please see the definition of Market Capitalization.
<b>Stable Value Funds</b>	Also called Stable Return Funds. Similar to Money Market fund, but with slightly longer maturities and a more diversified portfolio of fixed holdings, to provide a somewhat higher return over a long period of time.

<b>Investment Term</b>	<b>Definition</b>
<b>Standard Annuity</b>	Maximum payment for Texas Teachers Retirement System (TRS) retirement benefits to the member. The retiree receives the maximum amount each month and benefits cease at the member's death.
<b>Stock (Ownership Share)</b>	A share of stock represents a small piece of ownership in a corporation. Loss is limited to the value of the stock. Stocks may pay dividends.
<b>Standard &amp; Poor's 500 Stock Index (S&amp;P 500)</b>	An index comprised of 500 widely held common stocks considered to be representative of the U.S. stock market in general. The S&P 500 is often used as a benchmark for equity fund performance.
<b>Sub Transfer Agent Fees (Sub TA)</b>	Fees by mutual funds to companies which service accounts, particularly retirement accounts. Usually paid to a third party administrator (TPA), insurance company, bank, trust company or other financial institution. The theory is that the institution receiving the fees does work that the mutual fund would otherwise have to perform. The criticism of these fees is that (a) they have in some cases simply served as an incentive for the institution to offer certain mutual funds and (b) they have not been disclosed to consumers.
<b>Surrender Charge</b>	A charge imposed by an insurance company to withdraw funds from an insurance policy or annuity contract. A surrender charge typically will be lowered gradually over time. The surrender charge protects an insurance company from a policy holder removing funds after a commission has been paid to an agent. Surrender Charges typically range from 5 to 10 percent declining over 5 to 10 years in a Variable Annuity. Surrender Charges typically range from 10 to 15 percent declining over 5 to 15 years in a Fixed Annuity.
<b>Tax Deferred</b>	Refers to the tax treatment of investment returns. If an investment is tax deferred there is no annual tax liability created on investment gains. Any investment gains are taxed upon distribution only.
<b>Tax Free</b>	Refers to the tax treatment of investment returns. If an investment is Tax Free there will not be any tax due on investment gains. Tax Free treatment is generally subject to certain restrictions such as when withdrawals are taken, or for what purpose the funds are distributed for.
<b>Tax Sheltered</b>	Refers to the tax treatment of contributions. If an investment is tax sheltered the contributions are not subject to income tax withholding and certain contributions are eligible for a deduction from Adjusted Gross Income (AGI).
<b>Total Return (Funds)</b>	Expressed in percentage terms, Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting National Average Value (NAV), and daily payoffs are reinvested monthly. It does not adjust total returns for sales charges (such as front-end loads, deferred loads and redemption fees), preferring to give a clearer picture of a fund's performance. The total returns do account for management, administrative, 12b-1 fees and other costs taken out of the fund assets. Total returns for periods longer than one year are expressed in terms of compounded average annual returns, affording a more meaningful picture of fund performance than non-annualized figures. <i>(Description provided by Morningstar)</i>
<b>Total Return (Load-Adjusted))</b>	This figure is adjusted for front-end loads, deferred loads and redemption fees, but not taxes. For funds with front-end loads, the full amount of the load is deducted. For deferred loads and redemption fees, the percentage charged often declines the longer the shares are held. <i>(Description provided by Morningstar)</i>
<b>Total Return (Percentile Rank)</b>	This is the investment's total-return percentile rank relative to all funds that have the same Category. The highest (or more favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing investment in a category will always receive a rank of 1. <i>(Description provided by Morningstar)</i>
<b>Trust Platform</b>	An investment platform typically offered by Third Party Administrators, Custodians and other types of financial institutions. An administrative platform, usually Internet-based, is used to offer a choice of many Mutual Funds and families of funds. Often these are no-load funds and load-waived funds. The administrator and custodian charge a separate fee, usually fully disclosed. A Trust platform can offer many of the benefits of a Variable Annuity without the insurance "wrapper" and associated charges. Administrative services and cost can vary significantly by platform.
<b>Value Funds</b>	A fund which focuses on companies which are believed to be undervalued by the market. Generally a change of leadership, market conditions, or product development could indicate a value investment opportunity