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The A to Z of pension terms

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(Last update: 30 May 2003)

This is a layman's guide to some common terms used by the pensions industry. This guide has been written for you, the ordinary person, to give you a fighting chance of understanding the terms used by your pension company. Words which have their own definition in the guide are highlighted as a link. Just click on them to go to the definition. Please do not get disheartened by the size of the guide. Only certain parts will apply to most of you, so look at your pension policy or other pension documents to see which words you feel need some further explanation.

A message from our founder, Chrissie Maher OBE

Thank you for using Plain English Campaign's A to Z of pension terms. This guide is designed to give you a fighting chance in the baffling world of pensions.

Pensions aren't very glamorous, or very sexy, but they are desperately important. You can survive without a car, you can just about get by without buying a house, but if you aren't properly prepared for retirement, the final years of your life could be utter misery.

Before we explain the aims of this guide, it's important to understand what it isn't. It isn't a comprehensive definition of the law. It isn't a dictionary. And it certainly isn't an encyclopaedia. It's simply a guide.

It's really not that different to an A to Z of London or Manchester. They show you where places are, and the different roads you can take. But they don't tell you where you should go or how you should get there. Similarly, we can show you the choices available in the world of pensions, but we can't tell you what you should do.

This list of terms is not comprehensive, and the explanations are entirely our own. There are many words that we left out for this first edition. These include terms to do with rules that no longer apply and terms that will mainly affect the people running schemes (particularly the accountants). And there were even terms that are just so complicated that we haven't yet produced a clear enough explanation to satisfy the ordinary people we tested it on. But we won't give up working on these terms.

These guides are just the humble beginnings of a process that may never be complete. Our dream is that anyone should be able to read a pension term and understand it, safe in the knowledge that every pension company has the same understanding of the term. Our only hope is that our two guides are the first step towards that dream.

If any reader, pension firm or other group has suggestions, corrections, clarifications or even complaints, please don't be afraid to let us know. Only with your feedback can we improve and update the guides, both in future print runs, and through our website.

Thanks to the following people for their help and support:

- Stephen Timms MP, Sally Bark, John Nightingale and Michael Robinson at the Department of Social Security.
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We have listed the terms in alphabetical order. Where a term has a common abbreviation, we have listed the term as if it is spelt out in full. If you do not know what an abbreviation means, this list will help you find the term in our guide.

| | |
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| AVC | Additional voluntary contribution |
| CPA | Compulsory purchase annuity |
| COEG | Contracted Out Employments Group |
| COMPS | Contracted out money purchase scheme |
| COSRS | Contracted out salary-related scheme |
| DWP | Department for Work and Pensions |
| EPB | Equivalent pension benefit |
| EPP | Executive pension plan |
| FSA | Financial Services Authority |
| FSAVC | Free-standing additional voluntary contribution |
| FURBS | Funded unapproved retirement benefits scheme |
| GPP | Group personal pension |
| GMP | Guaranteed minimum pension |
| IDR | Internal dispute resolution |
| IFA | Independent financial advisor |
| IMRO | Investment Management Regulatory Authority |
| LISA | Lifelong individual savings account |

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|---------------------|---------------------------------------------------------------------------------|
| LPI | Limited price indexation |
| MFR | Minimum funding requirement |
| MND | Member-nominated director |
| MNT | Member-nominated trustee |
| MVA | Market value adjustment |
| NBV | Net book value |
| NPA | Normal pension age |
| NPD | Normal pension date |
| NRA | Normal retirement age |
| NRD | Normal retirement date |
| OPAS | Pensions Advisory Service (Previously 'Occupational Pensions Advisory Service') |
| OPB | Occupational Pensions Board |
| OPRA | Occupational Pensions Regulatory Authority |
| PAYG | Pay as you go |
| PCB | Pensions Compensation Board |
| PIA | Personal Investment Authority |
| PPCC | Personal pension contributions certificate |
| PPI | Pooled pension investment |
| PPS | Personal pension scheme |
| PSO | Pension Schemes Office |
| PTRAS | Pension tax relief at source |
| SDCS | Simplified defined contribution scheme |
| SERPS | State earnings related pension scheme |
| SFO | Superannuation Funds Office |
| SIB | Securities and Investments Board |
| SIPP | Self-invested personal pension |
| SORP | Statement of recommended practice |
| SRD | Selected retirement date |
| SSP (or S2P) | State second pension |
| TV | Transfer value |
| UEL | Upper earnings limit |
| UURBS | Unfunded unapproved retirement benefits scheme |
| WGMP | Widow s (or widower s) guaranteed minimum pension |

Click on any letter to go to that section.– The terms highlighted as links have their own definition.– Click on them to move to the definition. [A](#)–[B](#)–[C](#)–[D](#)–[E](#)–[F](#)–[G](#)–[H](#)–[I](#)–[K](#)–[L](#)–[M](#)–[N](#)–[O](#)–[P](#)–[Q](#)–[R](#)–[S](#)–[T](#)–[U](#)–[V](#)–[W](#)– Numbers

2% incentive

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| 87–89 member | <p>This is a payment the DSS made to certain personal pension schemes or contracted out occupational pension schemes. It was 2% of the member s upper band earnings. These payments were stopped on 5 April 1993.</p> <p>This is another name for a class B member. This is when an occupational pension scheme was set up before 14 March 1989, and the member joined it between 17 March 1987 and 31 May 1989.</p> |
| A | <p style="text-align: right;">(Back to the top.)</p> |
| ABI 1994 method | <p>This is a test to work out whether the benefits paid by a money purchase scheme are more than the Inland Revenue limits. It does not apply to a small self– administered scheme.</p> |
| Accrual rate | <p>In a defined benefit scheme this is the rate at which pension benefits build up for the member. They will get a certain amount for each year of pensionable service.</p> |
| Accrued benefits | <p>These are the pension benefits that have built up for a pension scheme member.</p> |
| Accumulated contributions | <p>These are all the contributions a member has paid, plus anything extra the money has earned. In a money purchase scheme, these can include the employer s contributions.</p> |
| Accrued rights | <p>This term is sometimes used to mean accrued benefits.</p> |
| Active investment management | <p>This is a system of investment that could be used for a pension fund. It involves buying and selling particular investments to try and get better growth.</p> |
| Active member | <p>This is a member of an occupational pension scheme who is building up pension benefits from their present job.</p> |
| Actuarial assumptions | <p>These are the figures and estimates that an actuary uses when they make an actuarial valuation. This can include how long people are expected to live, price rises, how much people are expected to earn, and the income from the pension scheme investments.</p> |
| Actuarial deficiency | <p>This is where the actuarial value of a scheme s assets is less than the actuarial liability . The actuarial deficiency is the difference between the two.</p> |
| Actuarial increase | <p>This is the extra pension benefit a member gets when retiring after the normal retirement age.</p> |
| Actuarial liability | <p>This is the money a pension scheme will have to pay out for pensions after the date of the actuarial valuation.</p> |
| Actuarial reduction | <p>This is a drop in a member s pension because they have taken their pension early.</p> |
| Actuarial report | <p>This is a report on an actuarial valuation. This name is also used for when an actuary says how changes to a scheme might affect it financially.</p> |
| Actuarial surplus | <p>This is where the actuarial value of a scheme s assets is more than the actuarial liability . The actuarial surplus is the</p> |

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| | <p>difference between the two.</p> <p>This is an assessment done by an actuary, usually every three years. The actuary will work out how much money needs to be put into a scheme to make sure pensions can be paid in the future.</p> |
| Actuarial valuation | |
| Actuarial value | <p>This is the value an actuary puts on something.</p> |
| Actuary | <p>An actuary is an expert on pension scheme assets and liabilities, life expectancy and probabilities (the likelihood of things happening) for insurance purposes. An actuary works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.</p> <p>This is when a member of a defined benefit pension scheme becomes entitled to extra pension benefits because:</p> |
| Added years | <ul style="list-style-type: none">• a transfer payment has been made by another scheme;• an additional voluntary contribution has been paid; or• the member's pension benefits have been improved by the employer or the pension scheme (or both). |
| Additional component | <p>This is another name for additional pension.</p> |
| Additional pension | <p>This is what the Government sometimes calls the pension paid by SERPS (or its replacement, the State Second Pension)</p> |
| Additional voluntary contribution (AVC) | <p>This is an extra amount (contribution) a member can pay to their own pension scheme to increase the future pension benefits.</p> |
| Administrator | <p>This is the person who is responsible for managing a pension scheme from day to day.</p> |
| Allocation option | <p>This allows a pension scheme member to give up some pension benefits in return for a pension for the member's husband, wife or dependants.</p> |
| Annual pension estimate | <p>This is similar to a benefits statement. This is a statement of the pension benefits a member has earned. An annual pension estimate will be based on certain expectations or predictions, so the benefits the member actually gets will probably be different.</p> |
| Annual report | <p>This is a report that the trustees of an occupational pension scheme send to members and employers each year to keep them informed on the scheme.</p> |
| Annuitant | <p>This is a person who receives, or is entitled to, an annuity.</p> |
| Annuity | <p>This is a fixed amount of money paid each year until a particular event (such as a death). It might be split into more than one payment, for example monthly payments. Many schemes use an annuity to pay pensions. When someone retires, their pension scheme can make a single payment, usually to an insurance company. This company will then pay an annuity to the member. The money paid to the member is what people usually call their pension.</p> |
| Annuity rate | |

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| | <p>This compares the size of an annuity (how much it pays each year) with how much it cost to buy. It also takes into account the age of the annuitant.</p> |
| Appropriate scheme | <p>This is a pension scheme which meets conditions set by the Contributions Agency. This means that a member of the scheme can contract out of the State Second Pension.</p> |
| Approval | <p>This is when the Pension Schemes Office (PSO) says that a scheme is suitable for tax relief. This means members can count some or all of their contributions against their tax bill. If a scheme meets certain conditions, it will get mandatory (automatic) approval. If the scheme does not meet the conditions, the PSO may give it discretionary approval.</p> |
| Approved occupations list | <p>The Pension Schemes Office (PSO) does not normally allow a scheme to pay a pension before a member is 50 (or 60 with a retirement annuity). With some jobs, the PSO may allow a lower pension age. One example might be professional footballers, whose earnings are mostly early in their life. These jobs are called recognised occupations. The PSO has an approved occupations list to show which jobs are recognised occupations.</p> |
| Approved scheme | <p>This is either a personal pension scheme or a free-standing additional voluntary contribution (FSAVC) scheme that has got approval from the Pension Schemes Office (PSO). The term approved scheme is not used for occupational pension schemes, even though they can get approval from the PSO.</p> |
| Assets | <p>These are everything that the trustees hold for the pension scheme. They can include investments, bank balances, and debtors.</p> |
| Auditor | <p>This is a qualified person who checks accounts. If an auditor believes the law has been broken in an occupational pension scheme, they must tell the Occupational Pensions Regulatory Authority (OPRA). This is called whistleblowing.</p> |
| Augmentation | <p>This is when extra pension benefits can be bought for a pension scheme member. They are usually paid for by the employer or the pension scheme.</p> |
| Average earnings scheme | <p>This is another name for a career average scheme. This is a scheme where the pension benefits earned for a year depend on how much the member s pensionable earnings were for that year.</p> |
| B | <p style="text-align: right;">(Back to the top.)</p> |
| Band earnings | <p>These are earnings between the lower earnings limit for national insurance contributions and the upper earnings limit. The State Second Pension is worked out on these earnings. These are also called upper band earnings.</p> |
| Basic component | <p>This is a term pension companies use for the basic state pension.</p> |
| Basic pension | |

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| | <p>This is what the Government sometimes calls the basic state pension.</p> |
| Basic state pension | <p>This is a pension paid by the Government to people who have enough qualifying years. It is not earnings related.</p> |
| Beneficiary | <p>This is a person who is getting pension benefits, or will do so when a particular event happens.</p> |
| Benefit statement | <p>This is a statement of the pension benefits a member has earned. It may also give a prediction of what their final pension might be.</p> |
| Benefits | <p>With pension schemes, this is everything the member gets after retiring because they were part of the scheme. It usually means the money paid to the member as their pension. It could also include death benefits. With insurance, this is the money the insurance firm pays out if something happens. For example, a life assurance policy would pay death benefits if the insured person dies.</p> |
| Benefits Agency | <p>This is an organisation connected to the DSS. It is in charge of paying state benefits such as Income Support and Jobseeker's Allowance.</p> |
| Benefits in kind | <p>These are things other than money which an employer gives to you for doing your job, for example a company car or a clothes allowance. Only benefits in kind which are taxed are usually counted when working out figures to do with pensions.</p> |
| Bid price | <p>This is the price members of a unit trust will get for each unit if they cash them in.</p> |
| Bridging pension | <p>This is a pension which a member may receive from their pension scheme between the time they retire and the time they reach their state pension age.</p> |
| Bulk transfer | <p>This is when a group of members is moved from one occupational pension scheme to another.</p> |
| Buy out policy | <p>This is an insurance policy which pension scheme trustees can buy for a member instead of paying them pension benefits. The insurance company pays the member (or the member's dependants) a pension.</p> |
| C | <p style="text-align: right;">(Back to the top.)</p> |
| Cancellation notice | <p>This is a document given to a new member telling them the details of the pension scheme and their right to cancel their membership without any cost. The member must cancel within a certain time. The notice is sometimes called a cooling off notice.</p> |
| Capitalised value | <p>This is the value in today's money of an amount which will be paid or received in the future. It is worked out taking into account interest over the period (this is called discounting). It also takes into account the probability (chance) that money may not be received or paid.</p> |
| Career average scheme | |

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| | <p>This is the name for a scheme where the pension benefits earned for a year depend on how much the member s pensionable earnings were for that year.</p> |
| Carry back | <p>A member could sometimes transfer contributions to an earlier tax year for tax relief purposes. This was called carry back. The carry back rules have not applied since 31 January 2002.</p> |
| Carry forward | <p>A member could sometimes transfer excess contributions to a later year to get tax relief. This was called carry forward. The carry back rules no longer applied after 31 January 2002.</p> |
| Cash equivalent | <p>This is the amount of money a pension scheme member can transfer to another pension scheme.</p> |
| Cash option | <p>This is giving up part or all of a pension in return for getting a one-off payment straightaway. It is also called commutation.</p> |
| Centralised scheme | <p>This is a pension scheme which is used by several employers.</p> |
| Certificate of eligibility | <p>This is a document that an employed person fills in to confirm that they are not in an occupational pension scheme, and so they can pay into a personal pension scheme.</p> |
| Certificate of existence | <p>This is a document to confirm that a pension scheme member is still alive.</p> |
| | <p>A 'class A' member is:</p> |
| Class A member | <ul style="list-style-type: none">• a member of an occupational pension scheme which was created after 13 March 1989; or• a member of an earlier pension scheme who joined after 1 June 1989. |
| | <p>A 'class B' member is:</p> |
| Class B member | <ul style="list-style-type: none">• a member of an occupational pension scheme which was created before 14 March 1989; and• the member joined between 17 March 1987 and 31 May 1989. |
| Class C member | <p>A class C member is a member of an occupational pension scheme who joined before 17 March 1987.</p> |
| Clawback | <p>This is when a member s pensionable earnings or a member s pension are reduced to take into account the amount of state pension the member will get.</p> |
| Closed scheme | <p>This is the name for a pension scheme which does not accept new members anymore.</p> |
| Clustering | <p>This is setting up a number of pension schemes at the same time. It lets the member draw the pension benefits at different times.</p> |
| Collective investment schemes | <p>These are more comonly known as unit trusts. This is a trust which people can invest in by buying units. The trust uses investors money to buy investments. The fund manager values the fund s assets from time to time and puts a new price on the fund s units. Unit trusts are sometimes called collective</p> |

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| | investment schemes. |
| Common investment fund | This is the name given when the investments of two or more pension schemes are pooled together. |
| Commutation | This is giving up part or all of a pension in return for getting a one-off payment straightaway. It is also called a cash option . |
| Commutation factors | These are the things which decide how much pension needs to be given up so that the member can get a one-off payment instead. |
| Company pension scheme | This is a scheme organised by an employer to provide pension benefits for their employees. |
| Compensation levy | This is money paid by every occupational pension scheme that is covered by the laws on compensation. This money pays for the Pensions Compensation Board . |
| Compulsory purchase annuity (CPA) | This is an annuity that an insured occupational scheme must buy for a member when they retire. |
| Contingent annuity | This is an annuity which is paid to someone when someone else dies. |
| Continuation option | This is an option offered by the insurance company which insures a pension scheme's death benefits . It allows a member who is leaving the pension scheme to take out a life assurance policy without taking a medical or providing other evidence of their good health. |
| Continuous service | A member of an occupational pension scheme may have already spent an earlier time in that scheme (with a break in between) or in a different scheme. Continuous service means that this earlier time is added to the member 's existing service . This could happen if a member takes a break from work to have a baby, or moves between two connected schemes. |
| Contract out | If someone contracts out of the State Second Pension , their national insurance payments are lower. They also pay into an occupational or personal pension scheme which has to meet certain conditions. |
| Contracted out | This term is used to describe a scheme where the members contract out of the State Second Pension . |
| Contracted out Employments Group (COEG) | This is a part of the Contributions Agency that deals with contracted out employment. |
| Contracted out money purchase scheme (COMPS) | This is an occupational pension scheme where members contract out , and the employer pays a certain amount into the scheme. When the member retires, this amount is used to make sure they get at least as much pension as they would have got from SERPS or the State Second Pension . |
| Contracted out salary related scheme (COSRS) | This is an occupational pension scheme where the members contract out of the State Second Pension . The member 's pension is based on how much they have earned. |
| Contracting out certificate | The Contributions Agency gives this certificate to a pension scheme that meets the conditions to be contracted out . |

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| Contribution holiday | This is the period when the usual contributions to a pension scheme are stopped for a time. This is usually done when the scheme has more funds than it needs. This phrase is also used when contributions to a personal pension are stopped because of temporary unemployment. |
| Contributions | This is the money paid into a pension fund for a member . It can be paid by a member or an employer . Contributions are sometimes called pension premiums. |
| Contributions Agency | This is a department of the DSS . It keeps records of people's national insurance contributions and makes sure that the contributions are paid. It also gives advice on national insurance . |
| Contributions equivalent premium | This is a special payment to the state scheme. It is usually paid when a member with less than two years of qualifying service leaves a contracted out scheme. The member is then counted as having been in SERPS (or its replacement, the State Second Pension) for the time they were contracted out . |
| Contributory scheme | This is a pension scheme where both the employer and the members have to pay into the scheme. |
| Control period | This term is sometimes used when an actuary works out the scheme's liabilities by looking at how much pension the members have earned so far. The actuary may then set the standard contribution rate for a certain length of time (the control period). During this time, the standard contribution rate should be enough to make sure the scheme's assets are enough to cover its liabilities . |
| Controlled funding | This is a plan to make sure that all the pension scheme's liabilities can be paid. It is often used for final salary schemes . |
| Cooling off notice | This is a document given to a member telling them the details of the pension scheme and their right to cancel the plan without any cost. The cancellation has to be done within a given time. It is sometimes called a cancellation notice . |
| Corporate trustee | This is a company which acts as a trustee . |
| Creditors | These are amounts owed by the pension scheme. |
| Current funding level | This is the amount of money needed to pay the pensions that members have earned so far. |
| Custodian trustee | This trustee looks after the trust's assets . |
| D | (Back to the top.) |
| De minimis limit | If a pension pays less than this limit, the whole of the member 's share of the pension fund can be taken as a one-off amount. |
| Death after retirement benefit | If a member has this option, then their dependants will get some benefits from the scheme if the member dies after starting to get pension benefits . |
| Death benefit | This may be paid to a member 's dependants if the member dies. It may be a pension or a one-off payment. It could be death after retirement benefit or death in service benefit . |

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| Death in service benefit | If a member has this option, then their dependants will get some benefits from the scheme if the member dies before starting to get pension benefits . |
| Debtors | These are amounts owed to the pension scheme. |
| Declaration of trust | This is the document which creates the pension scheme trust . |
| Deed of adherence | This is a legal document which allows a new employer to take over the running of a pension scheme. The new employer has to agree to follow the scheme s rules . |
| Deed of appointment | This is a legal document appointing a new pension scheme trustee . |
| Deferred annuity | This is an annuity which will start to pay out at some time in the future. |
| Deferred annuity purchase | This name is also used when a member retires, but chooses not to spend their share of the pension fund on an annuity straightaway. |
| Deferred member | This is a member who has left a scheme, but will get benefits when they retire. These are called preserved benefits . |
| Deferred pension | This is a pension which is taken later than the member s normal retirement date . |
| Deferred pensioner | When someone stops being an active member of a pension scheme, the pension benefits they have earned become preserved benefits , and the member is now called a deferred pensioner. They will get these benefits at a later date. |
| Deferred retirement | This is when a person decides to retire and draw their pension late. It is sometimes called late retirement or postponed retirement . |
| Deficit | This word may be used to mean an actuarial deficiency . This is where the actuarial value of a scheme s assets is less than the actuarial liability . The actuarial deficiency is the difference between the two. |
| Defined benefit scheme | This is where the rules of the scheme decide how much pension the member will get. There are different ways of working out the size of the pension, but the member will know which system the scheme uses. The most common type of defined benefit scheme is a final salary scheme. |
| Defined contribution scheme | This is where the size of the member s pension is not decided by the rules of the scheme. The size of the member s pension will be affected by how much money is put into the pension fund for the member , how much the pension fund has grown, and what annuity rate is available when the member retires. This system is also called a money purchase scheme . |
| Definitive trust deed | This document shows the rules of the pension scheme and what it provides in detail. |
| Department for Work and Pensions (DWP) | This is the Government department responsible for the state pension schemes. It was previously known as the Department for Social Security. The DWP's phone number is 020 7712 2171. |

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| Dependant | This is someone who is financially dependent on a member of the pension scheme (or on a pensioner of the scheme). The scheme rules will usually say what is meant by a dependant . |
| Dependant's pension option | This allows a member to give up part of their pension so that it can be paid to their husband or wife or a dependant . |
| Derivative | This is a general word used to describe special financial instruments such as options and futures contracts . Financial instruments are agreements to buy or sell something, under terms laid out in a contract. |
| Direct investment | This is when the trustees of a self-administered scheme directly hold the scheme's investments . |
| Disclosure regulations | These are the rules which pension scheme trustees have to follow when giving information about the scheme to members and official organisations. |
| Discontinuance | This is when contributions to a scheme stop and the scheme is closed down or becomes inactive. |
| Discontinuance valuation | This is an actuarial valuation which is done to work out what would happen if the pension scheme was stopped or closed down. |
| Discretionary approval | This is when the Pension Schemes Office (PSO) agrees that an occupational pension scheme can be approved , even though it does not meet the usual rules . |
| Discretionary increase | This is when the trustees give increases in pension benefits above those set out in the pension scheme rules . |
| Discretionary scheme | This is a scheme where the employer chooses which employees are allowed to join. The contributions and benefits may also vary from one member to another. |
| Disqualification order | This is an order made by the Occupational Pensions Regulatory Authority (OPRA) . It means that a certain person is banned from being a trustee of any occupational pension scheme . |
| Drawdown facility | This is when a member retires, but chooses not to buy an annuity straightaway. Until the member buys an annuity , they take an income from the scheme. This is also known as income drawdown or income withdrawal. This is: |
| Dynamisation | <ul style="list-style-type: none">• indexation (or escalation);• index-linking earnings to work out pension benefits; or• index-linking for working out Inland Revenue limits. |
| Dynamism | This is another word for dynamisation . |
| E | (Back to the top.) |
| Earlier service component | This is the part of a member 's pension benefit that was earned under a final salary scheme before limited price indexation was brought in. |

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| Early leaver | This is a person who stops being an active member of a pension scheme but who does not start to get a pension straightaway. |
| Early retirement | This is when a member retires before their normal retirement date and gets their pension immediately. |
| Earmarked benefits | These are the pension benefits set aside by a court for a member 's husband or wife after a divorce. |
| Earmarked money purchase scheme | This is a type of occupational pension scheme . It means all the benefits are paid by insurance policies or annuities . Each of these policies or annuities is set up for one particular member , their dependants or both. |
| Earmarked policy | This is a policy held by a pension scheme to provide life assurance cover, or an annuity for a particular member . |
| Earnings cap | This is a limit on how much of a member 's earnings may be used to work out the limits on contributions and benefits in an approved scheme . This limits the amount that a high earner can put into a pension scheme and still get tax relief. The limit is set every year in the Government's Budget. |
| Earnings factor | This is a theoretical earnings figure that is used for working out state pensions or guaranteed minimum pensions . |
| Eligibility | These are certain conditions that somebody must meet to be a member of a pension scheme and to receive pension scheme benefits . |
| Emoluments | These are a member 's earnings and they include benefits in kind (such as company cars). |
| Employer | This is the organisation the member works for. |
| Employer's pension scheme | This is a pension scheme organised by the employer to provide pension benefits for employees. It is most often called an occupational pension scheme . |
| Endowment policy | This is an insurance policy which will pay out a single amount on a fixed date in the future or when the policyholder dies (whichever happens first). |
| Enhanced commutation factor | A commutation factor is something which decides how much pension needs to be given up so that the member can get a one-off amount instead. An enhanced commutation factor takes account of the member 's pension increasing in the future. |
| Entry date | This is either the date an employee can join a pension scheme, or the date they actually do join. |
| Equal access | –This is the term used to describe the requirement that members of both sexes have identical entry conditions to pension schemes. |
| Equal treatment | After a European ruling, Britain's pension laws were changed to say that each sex must be treated the same. |
| Equivalent pension benefit (EPB) | This is the benefit which an employer must give an employee who was contracted out of the old graduated pension scheme . |
| Escalation | |

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| | <p>This is an automatic increase in the amount of pension a member gets (or will get in the future). The amount goes up at regular times, and usually at a fixed rate.</p> |
| Ex gratia benefit | <p>This is something that an employer gives to an employee, even though they do not have to.</p> |
| Executive pension plan (EPP) | <p>This is another name for an executive scheme.</p> |
| Executive scheme | <p>This is a pension scheme for specially chosen employees. It is also known as a top hat scheme.</p> |
| Exempt approved scheme | <p>This is an approved scheme that is not a personal pension scheme, and is set up under a trust that cannot be changed.</p> |
| Experience deficiency | <p>This is the deficit (loss) when the pension scheme's actual performance is compared with what the actuary originally predicted.</p> |
| Experience surplus | <p>This is the surplus (profit) when the pension scheme's actual performance is compared with what the actuary originally predicted.</p> |
| Expression of wish | <p>If a scheme pays death benefits, this is where the member tells the trustees who should get this benefit if the member dies. The trustees do not have to follow the member's wishes. This is also called nomination or form of request.</p> |
| F | <p style="text-align: right;">(Back to the top.)</p> |
| Final average earnings | <p>These are the member's earnings used to work out their pension in a final salary scheme. The amount used could be the average of the member's earnings over the last few years before they retire.</p> |
| Final earnings scheme | <p>This is another name for a final salary scheme.</p> |
| Final pensionable earnings | <p>This is another name for final average earnings.</p> |
| Final remuneration | <p>This is a limit that affects how much of a member's earnings are taken into account when the Pension Schemes Office (PSO) works out the highest amount of benefit they can get from an approved scheme.</p> |
| Final salary scheme | <p>This is the most common type of defined benefit scheme. It means that the pension paid to the member is based on how much they are earning when they retire.– This amount could be an average over their last few years of work.</p> |
| Financial Services Authority (FSA) | <p>This is the organisation that regulates financial business, such as pensions. It has replaced the Personal Investment Authority among other bodies. The FSA's telephone number is 0845 606 1234.</p> |
| Flat rate scheme | <p>In this type of scheme a member's pension depends on how long they have been in the scheme. The member's earnings do not affect the amount of the pension. This is a type of defined benefit scheme.</p> |
| Forgoing | <p>This is a written agreement between the member and their employer where the member agrees to have their wages cut by</p> |

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| | <p>a certain amount. The employer then puts this amount into the pension scheme for the employee. This is also called salary sacrifice.</p> |
| Form of request | <p>This is another name for expression of wish. If a scheme pays death benefits, this is where the member tells the trustees who should get this benefit if the member dies. The trustees do not have to follow the member's wishes. This is also called nomination.</p> |
| Franking | <p>This is the name given to taking any increase in the guaranteed minimum pension off the other pension benefits.</p> |
| Free cover | <p>An insurance company may agree to cover a group of people for death benefits without asking for proof that they are in good health. For example, this group could be members of a pension scheme. Free cover is the highest amount of benefits that the insurance company will pay out for any one person under this system.</p> |
| Free-standing additional voluntary contributions | <p>These are payments into a free-standing additional voluntary contribution (FSAVC) scheme.</p> |
| Free-standing additional voluntary contribution (FSAVC) scheme | <p>An active member of an occupational pension scheme can pay extra amounts into a separate scheme, called a free-standing additional voluntary contribution (FSAVC) scheme. These are run by pension firms. The benefits they get from the scheme will be based only on these extra amounts. It is possible to contract out by joining a free-standing additional voluntary contribution (FSAVC) scheme.</p> |
| Frozen benefits | <p>These are the benefits a member has already earned from a scheme when they stop being an active member (or the scheme closes). The member will get these benefits when they retire. These are also called preserved benefits.</p> |
| Frozen scheme | <p>This is a scheme which has been closed. No more contributions will be paid and the members will get their frozen benefits when they retire.</p> |
| Fully insured scheme | <p>With this type of scheme, the trustees take out an insurance policy for each member. The policies guarantee that each member will get all the benefits that the scheme rules say they should get.</p> |
| Fund account | <p>This is part of the accounts that a scheme must produce each year. It shows how the scheme has dealt with members, income from investments, and what the scheme has bought and sold during the year.</p> |
| Funded unapproved retirement benefits scheme (FURBS) | <p>This is an occupational pension scheme that is not designed to be approved. This type of scheme saves up assets to pay members' benefits, unlike an unfunded scheme. Most FURBS are top-up pension schemes.</p> |
| Funding | <p>This is setting assets aside (saving up) so that money is available to pay future liabilities.</p> |
| Funding level | <p>This is a comparison of a scheme's assets and liabilities.</p> |

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| Fund manager | This is a person or firm who is responsible for managing the day to day running of a fund to the best advantage of the fund's investors. |
| Funding plan | This is a plan to make sure that money is available at the right time to pay out pension benefits . It usually involves setting the contributions at a certain level, such as the standard contribution rate . |
| Funding rate | This name is sometimes used to describe the recommended contribution rate . This is how much the actuary says the standard contribution rate should be to make sure the scheme has enough money to pay the necessary benefits . |
| Funding ratio | This is the funding level , written as a percentage |
| Futures contract | This is a contract to buy goods at a fixed price and on a particular date in the future. Both the buyer and the seller must follow the contract by law. |
| G | (Back to the top.) |
| General levy | This is paid by all occupational and personal pension schemes covered by the Pension Schemes Registry . It pays for the Pension Schemes Registry , the Pensions Ombudsman and the Occupational Pensions Regulatory Authority (OPRA) . |
| Graduated pension scheme | This was an additional State pension which was building up before 5 April 1975. |
| Graduated retirement | This was the pension paid by the graduated pension scheme . The benefits depended on how much had been paid in contributions . |
| Group personal pension (GPP) | This is a system where several employees at one company join a personal pension scheme with the same pension firm. Each member has a separate policy with the pension firm, but contributions are collected together. The member may get better terms with a GPP than with a normal personal pension scheme . The employer may be more likely to pay contributions , because there will be less paperwork than with each employee dealing with a separate pension firm. |
| Group policy | This is an insurance policy which covers more than one person. |
| Guaranteed annuity– | This is an annuity that is paid until the person getting it dies. If they die before a certain date, the annuity is then paid to their dependants until that date. |
| Guaranteed annuity option | This gives a person the right to use the money they get from their insurance policy to buy an annuity , with the annuity rate guaranteed in the insurance policy. It can apply to a pension scheme as well as an insurance policy. |
| Guaranteed minimum pension (GMP) | A member of a contracted out occupational pension scheme will get at least this much pension unless: <ul style="list-style-type: none">• The member s service is all after 5 April 1997. Their benefits would then come under limited price |

[indexation \(LPI\).](#)

- Some of the [member](#) s service is after 5 April 1997. They would have some of their [benefits](#) affected by GMP and some by [LPI](#).
- The scheme is a [contracted out money purchase scheme](#). The [member](#) s [benefits](#) are then affected by [protected rights](#).

Guaranteed pension

This is the name for the [minimum pension](#) a particular insurance policy will pay.

H

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Headroom check

There are [Inland Revenue limits](#) on how much money can be paid into a [free-standing additional voluntary contribution scheme](#). A headroom check may be carried out to make sure that these limits are kept.

Historical cost

This is one way of measuring the value of [assets](#). It uses what the [assets](#) originally cost, but an amount is often taken off for wear and tear and age.

Hybrid scheme

This is an [occupational pension scheme](#) where the pension [benefits](#) can be worked out in two ways. The way that gives the higher [benefits](#) will be used. This name is also used for an [occupational pension scheme](#) that pays both [final salary](#) and [money purchase benefits](#).

I

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Ill-health early retirement

This happens when a [member](#) retires early because of ill-health. They may get higher pension [benefits](#) than a [member](#) normally gets when they retire early.

Immediate annuity

This is an [annuity](#) which starts to pay out straightaway.

In-house AVC scheme

This is an [additional voluntary contribution \(AVC\)](#) scheme offered by an [occupational pension scheme](#) to its [members](#).

Incapacity pension

If a [member](#) s illness means they cannot work as normal, they may get an extra pension. This depends entirely on the [rules](#) of their scheme

Incentive payment

This is a payment the [DSS](#) used to make to certain [personal pension schemes](#) or [contracted out occupational pension schemes](#). This was sometimes called the [2% incentive](#).

Income drawdown

This is when a [member](#) retires, but chooses not to buy an [annuity](#) straightaway. Until the [member](#) buys an [annuity](#), they take an income from the scheme. This is also known as income withdrawal or a drawdown facility.

Income withdrawal

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Increment

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| | <p>This means an increase in contributions to an existing pension scheme.</p> |
| Independent financial advisor (IFA) | <p>This is a qualified person or firm that can give people independent advice on how they could save with life assurance and pensions. An independent financial advisor is not tied to a particular company. They are regulated by the Financial Services Authority.</p> |
| Independent trustee | <p>This is a trustee who has no connection with the pension scheme, the employer or the members. For example, an independent trustee might be appointed if an employer goes out of business.</p> |
| Indexation | <p>This is a way of measuring changes in prices or earnings, and adjusting pensions in line with these changes. For example, if a pension was linked to a price index, and prices rose by five per cent, then the pension would also rise by five per cent.</p> |
| Index linking | <p>This is another name for indexation.</p> |
| Individual arrangement | <p>This is an occupational pension scheme with only one member.</p> |
| Inflation proofing | <p>This is when a pension scheme uses price rises for indexation. It means that the pension a member gets will not be worth less if prices have gone up.</p> |
| Inland Revenue | <p>This is the Government department that deals with taxes.</p> |
| Inland Revenue limits | <p>These figures set the largest amount of benefits and contributions allowed in an approved occupational pension scheme. There are different limits for class A, class B or class C members. As a rough rule, a member's benefits are often limited to two thirds of the wages they got in the year before they retired.</p> |
| Insured scheme | <p>This is a pension scheme where the only way the assets are invested is in an insurance policy. It does not include schemes that use a managed fund policy.</p> |
| Integration | <p>This is reducing a member's benefits by part or all of the amount that they will get from the basic state pension. State pension offset is one type of integration.</p> |
| Interim trust deed | <p>This is a trust deed which allows a pension scheme to be set up with very general terms. The detailed rules are usually set up later in a definitive trust deed.</p> |
| Internal dispute resolution (IDR) | <p>This is the system an occupational pension scheme must have to deal with member's concerns or complaints. If a member is not happy with what happens through this system, they can take their case to OPAS or the Pensions Ombudsman.</p> |
| Interim bonus | <p>This is a figure added to a with profits policy from an insurance company's surplus.</p> |
| Investment | <p>This is when the money paid into a pension scheme is used to buy things like stocks and shares, bonds and properties. These are called investments.</p> |

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| Investment income | This is the income earned by the pension fund s investments . |
| Investment Management Regulatory Organisation (IMRO) | This was an organisation that deals with investment management companies. It made sure that the rules and laws on investment are followed. This is now the responsibility of the Financial Services Authority . |
| Investment manager | This is someone the trustees appoint to manage the investment of the scheme s assets . |
| Investment report | This gives details of investments held by the pension fund , and the buying and selling of them. It explains why the investments were chosen and the reasons for any changes. |
| Investment trust | An investment trust is a company which invests money in different securities. It is listed on the stock exchange. |
| K | (Back to the top.) |
| Key features document | This is a document that people offering a life insurance policy or pension scheme must give to anyone thinking of buying a policy or joining a scheme. It gives general information about the policy or scheme. |
| L | (Back to the top.) |
| Late retirement | This is when a member retires and takes their pension after the normal retirement date . When a member is still in pensionable employment and: |
| Later earnings addition | <ul style="list-style-type: none">• their contracted out employment has finished; and• the member s earnings are higher in this later job than they were when contracting out finished; the minimum benefit may be increased. |
| Letter of exchange | This is a letter from an employer to an employee, which is all or part of the individual arrangement document. The employee signs a copy of the letter to show that the terms are agreed. |
| Level of funding | This is the how much the actuarial valuation says a scheme s assets are worth compared to its liabilities . It is usually a percentage figure, meaning that a scheme with a 100 per cent level of funding would have assets and liabilities worth the same amount. |
| Levy | This is an amount that a pension scheme has to pay each year. The amount depends on how many members are in the scheme. There are two types, the general levy and the compensation levy . |
| Liabilities | These are amounts which the pension scheme will have to pay now or at some time in the future. The most common liability is paying members pensions. |
| Life assurance scheme | This is an insurance policy which will pay out if a member dies. When used in pensions, the policy may only pay out if the member dies before they retire or leave their employer . |

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| Lifelong Individual Savings Account (LISA) | <p>This was a name some people suggested for a new Government idea for a pension investment system. But the Government chose the name Pooled Pension Investment (PPI).</p> <p>This is a part of the law that says pensions paid by an occupational pension scheme, and protected rights paid by an appropriate personal pension scheme must increase by at least a certain rate each year. This rate is five per cent, or the increase in the Retail Price Index, whichever is less. LPI does not affect additional voluntary contribution (AVC) or free-standing additional voluntary contribution (FSAVC) schemes. It only applies to pension benefits earned after 5 April 1997. Any benefits earned before this come under the guaranteed minimum pension (GMP). A member who worked both before and after this date would have some of their benefits affected by GMP and some by LPI.</p> |
| Limited price indexation (LPI) | |
| Linked qualifying service | <p>Linked qualifying This is when a member used to belong to another scheme and the pension benefit earned in it has been transferred into the member s new scheme. The qualifying service in the two schemes is linked together.</p> |
| Long service benefit | <p>This is the term used for a member s benefits which will be paid at their normal pension age. This figure is used when working out short service benefit.</p> |
| Lower earnings limit (LEL) | <p>This is the least amount someone must earn before they have to pay national insurance.</p> |
| Lump sum certificate | <p>This is a certificate which a pension scheme must supply in some cases when a member transfers to another scheme. The certificate shows the largest one-off amount available from the transfer payment given to a new pension scheme.</p> |
| M | <p style="text-align: right;">(Back to the top.)</p> |
| Managed fund | <p>This is a fund, run by an insurance company, that people can invest in. With pensions, this can be where somebody from outside the scheme is employed to invest the scheme s assets, usually in a range of investments.</p> |
| Mandatory approval | <p>This is when an occupational pension scheme meets all the normal rules for contracting out, so the Pension Schemes Office (PSO) has to automatically make it an approved scheme.</p> |
| Market value | <p>This is the price an asset should fetch if it is sold on the open market.</p> |
| Market value adjustment | <p>This is the amount by which the value of a with profits policy is adjusted to take into account changes in stock market values.</p> |
| Master policy | <p>This is an insurance policy which covers more than one person. It is also called a group policy.</p> |
| Maximum approvable benefit | <p>In an approved scheme this is the largest pension benefit a member can receive. This does not apply to personal pension and simplified defined contribution schemes. The size of the maximum approvable benefit depends on whether the member is a Class A, Class B or Class C member.</p> |

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| Member | This usually means someone who has joined a pension scheme. |
| Member–nominated director (MND) | This is a director of a corporate trustee that is chosen by the members of an occupational pension scheme . |
| Member–nominated trustee (MNT) | This is a trustee chosen by the members of an occupational pension scheme . Usually, at least a third of the trustees of an occupational pension scheme will be member–nominated trustees. |
| Member participation | This is the term used to describe members having a say in how their pension scheme runs. |
| Member s normal contribution | This is the member s regular payment to the pension scheme as set out in the scheme s rules . |
| Minimum benefit | A scheme may set a minimum benefit. This means that the member will get at least this much, even if their pension works out to be less. This is also called a minimum pension . |
| Minimum contributions | These are contributions the DSS pays to an appropriate scheme when a member decides to contract out . |
| Minimum funding requirement (MFR) | This is part of the Pensions Act 1995. It affects how much money a final salary pension scheme must have in its fund so that it can pay future pensions. |
| Minimum payments | This is the smallest amount an employer is allowed to pay into a contracted out money purchase scheme .– This amount will give the protected rights . |
| Minimum pension | A scheme may set a minimum pension. This means that the member will get at least this much, even if their pension works out to be less. This is also called a minimum benefit . |
| Mis–selling | This is a word used to describe the problems of firms selling pensions to people who would have been better off staying with the scheme they were already in. One example is somebody leaving an occupational pension scheme to join a personal pension scheme , but losing out because their employer no longer paid money into their pension fund . |
| Modified premium value | This is a way the actuary of an occupational pension scheme works out how much an insurance policy is worth to the scheme. It bases the value on how much the scheme pays to the insurer for each member , but does not include anything the insurance firm charges for setting up the policy, such as commission or expenses. |
| Modification order | This is an order made by the Occupational Pensions Regulatory Authority (OPRA) . It means that an occupational pension scheme must make a particular change, even though this is normally against the scheme rules . |
| Money purchase | This is when a member s benefits are based on the contributions paid by them and for them, and any increase in this amount from investments . In most cases, this involves using the member s share of the pension fund to buy an annuity . |
| Money purchase scheme | |

This is where the size of the [member](#)'s pension is worked out by the [money purchase](#) method. The size of the [member](#)'s pension will be affected by how much money is put into the [pension fund](#) for the [member](#), how much the [pension fund](#) has grown, and what [annuity rate](#) is available when the [member](#) retires. This is also called a [defined contribution scheme](#).

N

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National Insurance

This is money that the Government takes from both workers and [employers](#). The amount depends on how much the worker earns. Some Government [benefits](#), such as the [basic state pension](#) and [SERPS](#) (or its replacement, the [State Second Pension](#)), depend on how much [national insurance](#) you have paid.

Net assets statement

This is a statement showing the difference between an [occupational pension scheme](#)'s [assets](#) and [liabilities](#).

Net book value (NBV)

This is what an [asset](#) originally cost to buy (called [historical cost](#)) less a sum for wear and tear and ageing.

Net relevant earnings

These are earnings of self-employed people or earnings of employees who are not in an [employer](#)'s pension scheme. Net relevant earnings are used to work out the highest amount which can be paid into a pension scheme where [contributions](#) get tax relief.

Nomination

If a scheme pays [death benefits](#), this is where the [member](#) tells the [trustees](#) who should get this [benefit](#) if the [member](#) dies. The [trustees](#) do not have to follow the [member](#)'s wishes. This is also called [expression of wish](#) or [form of request](#).

Non-approved scheme

This is a scheme which is not designed to be [approved](#) by the [Pension Schemes Office \(PSO\)](#). It can be used to provide extra pension [benefits](#) over the [earnings cap](#) (limit) on [approved schemes](#). Tax relief is not usually available for these schemes, and the [contributions](#) are taxed on the employee as [benefits in kind](#).

Non-contributory

This is a type of pension scheme where the [members](#) do not have to pay into the scheme themselves.

Non-pensionable earnings

These are earnings that are not used when working out [contributions](#) or [benefits](#). They could include overtime or bonuses.

Non-pensionable employment

This is employment where either a worker chooses not to join an [occupational pension scheme](#), or there is no [occupational pension scheme](#) that they can join. Earnings from non-pensionable employment can be counted towards [net relevant earnings](#).

Normal pension age (NPA)

This is the earliest age that a [member](#) can usually take their full pension [benefits](#). Somebody retiring before this age will usually get a lower pension, but this may not apply with [ill-health early retirement](#).

Normal pension date (NPD)

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| | <p>This is the date when a member can normally start to get their pension benefits. It will usually be the date that they reach normal pension age.</p> |
| Normal retirement age (NRA) | <p>This is when employees doing a particular job usually retire. It is usually the same as the normal pension age.</p> |
| Normal retirement date (NRD) | <p>This is the date that the scheme rules say a member should normally retire. In most cases, it is the date that they reach normal pension age.</p> |
| O | <p style="text-align: right;">(Back to the top.)</p> |
| Occupational pension scheme | <p>This is a scheme organised by an employer to provide pension benefits for their employees. It is sometimes called a company pension scheme.</p> |
| (Occupational) Pensions Advisory Service (OPAS) | <p>This is an independent body which advises pension scheme members about their rights under their schemes. It can deal with complaints about pension schemes, but cannot force a scheme to do something. The body is now usually known as OPAS because it now covers personal pension schemes. OPAS phone number is 0845 6012923.</p> |
| Occupational Pensions Regulatory Authority (OPRA) | <p>This is the official organisation that makes sure trustees of occupational pension schemes follow the law.– OPRA s helpline number is 01273 627600.</p> |
| Offset | <p>This is sometimes used to mean state pension offset. This is when a member s pensionable earnings or a member s pension are reduced to take into account the amount of state pension the member will get. It is a type of integration.</p> |
| Open market option | <p>This is the option to use the money from an insurance contract to buy an annuity from any insurance company at whatever annuity rate they offer. It could apply to a member s share of a pension fund, meaning they can shop around for the best deal.</p> |
| Opting out | <p>This is when an employee leaves an occupational pension scheme or chooses not to join one.</p> |
| Option | <p>This is the name for a contract where somebody pays a sum of money for the right to buy or sell goods at a fixed price by a particular date in the future. However, the goods do not have to be bought or sold.</p> |
| Ordinary annual | <p>These are the contributions an employer pays regularly into an occupational pension scheme.</p> |
| Overfunding | <p>This is where a scheme has an actuarial surplus.</p> |
| Overlap | <p>This is where a dependant s pension is paid as well as a pension guarantee payment.</p> |
| Overriding legislation | <p>This is where the law overrides a pension scheme s rules.</p> |
| P | <p style="text-align: right;">(Back to the top.)</p> |
| Paid up benefit | <p>This is a type of preserved benefit that will be paid by an insurance policy. This policy has been fully paid for.</p> |
| Partially approved scheme | |

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| | <p>This is a pension scheme where only part of it can be approved by the Pension Schemes Office (PSO). For example, this could be a scheme where some of the benefits are paid to overseas employees who do not pay British taxes.</p> |
| Passive investment management | <p>This is a method of investment that tries to limit risk by following a market. As an example, it might involve buying a number of shares in the 100 biggest companies on the stock exchange, rather than buying and selling particular shares. This could involve using a tracker fund. People often choose passive investment management because they believe it is safer than active investment management.</p> |
| Past service | <p>This is service before a member has joined the pension scheme or before a particular date.</p> |
| Past service benefit | <p>This is a pension benefit which a member has earned for past service or for service before the pension scheme was formed.</p> |
| Pay as you go (PAYG) | <p>This is where pension benefits are paid out of present day income. There is nothing set aside to pay future pension benefits. This is a type of unfunded scheme. The basic state pension and the State Second Pension are both pay as you go schemes, with the benefits paid from taxes.</p> |
| Payment schedule | <p>These are a set of details saying when contributions should be paid and how much they will be. A money purchase scheme must have a payment schedule.</p> |
| Pension cost | <p>This is the amount expected to be charged to the employer's profit and loss account for pension contributions over the period that scheme members are expected to work.</p> |
| Pension fraction | <p>This is a fraction (or part) of earnings used to work out benefits in a scheme where the benefits depend on earnings, such as a final salary scheme. For example, if the pension fraction is a sixtieth, then a member will earn benefits at a sixtieth of their final salary for each year worked. If they work for 40 years, their pension will be 40 sixtieths, or two thirds, of their final salary.</p> |
| Pension fund | <p>This is the money saved and turned into assets of the pension scheme.</p> |
| Pension guarantee | <p>This is when the pension scheme pays extra money to reach a guaranteed total, if the pensioner dies early. The money is usually paid to the pensioner's dependants.</p> |
| Pension increase | <p>This is when a pension which is already being paid is increased.</p> |
| Pension provider | <p>A personal pension scheme or free-standing additional voluntary contribution (FSAVC) scheme must be set up by an special organisation. This organisation is called a pension provider, and is usually an insurance company.</p> |
| Pension scheme statement of recommended practice (SORP) | <p>These are the rules that say how the accounts of an occupational pension scheme must be worked out and written.</p> |
| Pension Schemes Office | <p>This is the part of the Inland Revenue that decides whether a</p> |

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| (PSO) | pension scheme can be approved . Before 1 April 1992, it was called the Superannuation Funds Office . |
| Pension schemes registry | This is a list of occupational and personal pension schemes kept by the Occupational Pensions Regulatory Authority (OPRA) . It can be used so that members can find schemes they have lost touch with, and so that OPRA can check that every scheme has paid the levy . You can ask about the register by calling 0191 225 6316. |
| Pension splitting | This is when a member gets divorced and their benefits are split between them and their ex-husband or ex-wife. Rules to allow or order pension splitting may become law during 1999. These rules may also affect what happens if one of the couple remarries, or they die before retiring. |
| Pension tax relief at source (PTRAS) | This is a way of giving members tax relief. People in occupational pension schemes have their contributions taken out of their pay before their tax is worked out. |
| Pensionable age | This is the age when people can start to get the basic state pension and SERPS (or its replacement, the State Second Pension). |
| Pensionable earnings | These are the earnings used to work out benefits and contributions that depend on a member's earnings.– They might not include overtime.– The amount may be affected by state pension offset . |
| Pensionable employment | This is the period of employment which is taken into account when working out pension benefits . |
| Pensionable service | This is another name for pensionable employment . |
| Pensioner | This is someone who is getting a pension at the moment. |
| Pensioner trustee | This is someone (or a company) appointed to act as a trustee of a small self-administered pension scheme . |
| Pensions Compensation Board (PCB) | This is the organisation that deals with the pensions compensation scheme . |
| Pensions compensation scheme | This is a system set up by law,. It can pay compensation to members of occupational pension schemes when the assets have been affected by dishonesty and the employer is insolvent. It covers most approved occupational pension schemes , but there are some exceptions. It does not cover unfunded schemes . |
| Pensions Ombudsman | The Pensions Ombudsman is an independent person who settles disputes between pension scheme members and the pension schemes. Pension schemes must follow the Ombudsman s rulings, but they can challenge them in court. |
| Permanent health insurance | This is an insurance policy which pays an income to someone who has been taken ill with a long-term illness or disability. A pension scheme might buy this policy as part of a member s benefits . The policy may stop paying out when the member reaches normal retirement age . This can also be called |

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| | <p>prolonged disability insurance.</p> |
| Permitted investments | <p>These are the types of investments that trustees can make under trust deed rules.</p> |
| Permitted maximum | <p>Particular laws use this name for the earnings cap. This is a limit on how much of a member's earnings are counted when the Inland Revenue works out their maximum approvable benefits.</p> |
| Personal Investment Authority (PIA) | <p>This was the organisation that dealt with the rules on how firms can advertise and sell financial products, such as pensions. This is now the responsibility of the Financial Services Authority.</p> |
| Personal pension | <p>This is someone's personal pension arrangement. It can also mean a retirement annuity set up before July 1988.</p> |
| Personal pension arrangement | <p>This is the agreement somebody has with a pension firm about their personal pension scheme.</p> |
| Personal pension contributions certificate– (PPCC) | <p>This is a certificate, prepared by a pension provider, for a member to send to the Inland Revenue. It proves that they are a member of the scheme, and how much their contributions are. This allows the Inland Revenue to give extra tax relief to members who pay higher rate tax.</p> |
| Personal pension Scheme (PPS) | <p>This is a scheme run by a private company for one person. It can be for someone who is self-employed, or an employed person who is not in an occupational pension scheme. Somebody who is part of an occupational pension scheme that only pays death in service benefit (which means there is no pension paid) can also join a personal pension scheme.</p> |
| Phased drawdown | <p>This is a type of drawdown facility. It means part of the pension fund</p> |
| Pivotal age | <p>When a contracted out member reaches this age, they should be better off if they go back to SERPS (or its replacement, the State Second Pension). The age will depend on the member's situation.</p> |
| Pooled Pension Investment (PPI) | <p>This is not a pension scheme itself, but a system of investing a pension fund in a range of stocks, shares and so on. The idea is that it will be more flexible, and that members will have a better idea of how much their pension is worth. Before the Government chose the name PPI, some people suggested it would be called a Lifelong Individual Savings Account (LISA).</p> |
| Post 89 member | <p>This is another name for a class A member. This is somebody who is:</p> <ul style="list-style-type: none">• a member of an occupational pension scheme which was created after 13 March 1989; or• a member of an earlier occupational pension scheme who joined after 1 June 1989. |
| Post 89 regime | <p>This is the system of maximum approvable benefits allowed for class A, class B or class C members.</p> |

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| Postponed retirement | This happens when a member stays employed after their normal pension date and does not start to take a pension. |
| Pre-award dynamism | This is the change in value of a member s preserved benefits between when they leave the scheme and when they retire. It could be because of indexation , escalation or a discretionary increase . |
| Pre- 1 June 1989 continued rights | These are the rights of an occupational pension scheme member who comes under the Inland Revenue limits on maximum approvable benefits which applied between 17 March 1987 and 31 May 1989. |
| Pre- 17 March 1987 continued rights | These are the rights of an occupational pension scheme member who comes under the Inland Revenue limits on maximum approvable benefits which applied before 17 March 1987. |
| Pre- 87 member | This is someone who joined an occupational pension scheme before 17 March 1987. This is another name for a class C member . |
| Pre-scheme service | This is a member s service before becoming a member of the pension scheme. |
| Premium value | This is a way of valuing a long-term insurance policy for a pension scheme s accounts. It is based on how much the scheme has to pay for each member . The actuary or accountant may chose to use a modified premium value , which does not include the insurance firm s charges for setting up the policy. |
| Prepayment | With pensions, this is when an employer pays more contributions than the actuary has worked out are needed. The extra amount, called prepayment, is shown as an asset in the employer s accounts (rather than those of the pension fund). |
| Prescribed rules | These are rules that give a system for choosing a member-nominated trustee . Unless the scheme has a system decided by the trustees or the employer , or if this system does not work, the scheme must use the prescribed rules. |
| Present value | This is how much future payments or income are worth now. It is worked out by taking off an amount for interest, and taking into account how likely it is that the money will be paid. It is sometimes called capitalised value . |
| Preservation | This is when a pension scheme gives a member preserved benefits . |
| Preserved benefits | These are the benefits an occupational pension scheme member has already earned from the scheme when they stop being an active member (or the scheme closes) before their normal pension age . The member will then get these preserved benefits when they retire. These are also called frozen benefits . |
| Principal employer | This is a name sometimes used when a particular employer has special rights or responsibilities, such as appointing trustees . For example, if several employers run a scheme together, the one who set it up might be the principal employer. |

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| Priority liabilities | <p>If a pension scheme is wound up, some of its liabilities come before others to be paid. For instance priority might be given to guaranteed minimum pensions.</p> |
| Priority rule | <p>The priority rule is used if a pension scheme has to be wound up and there aren't enough assets to cover all the liabilities. The trustees look at the scheme rules to see in what order they should settle the liabilities.</p> |
| Proceeds of policy scheme | <p>This is a type of money purchase scheme that buys an insurance policy for each member. The money that the policy pays is the member's pension.</p> |
| Prohibition order | <p>This is an order made by the Occupational Pensions Regulatory Authority (OPRA). It means that a certain person is banned from being a trustee of one particular occupational pension scheme.</p> |
| Prolonged disability insurance | <p>This is an insurance policy which pays an income to someone who has been taken ill with a long-term illness or disability. A pension scheme might buy this policy as part of a member's benefits. The policy may stop paying out when the member reaches normal retirement age. This can also be called permanent health insurance.</p> |
| Protected rights | <p>This is the lowest amount of benefits that a contracted out money purchase scheme (COMPS) can pay to a member. This amount is worked out by using the money purchase method with the money paid into the scheme as minimum contributions or minimum payments.</p> |
| Protected rights annuity | <p>This is a pension bought with the money from protected rights.</p> |
| Provision | <p>This is an amount set aside in accounts for liabilities which are known about, but which cannot be measured accurately.</p> |
| Provisional approval | <p>This is when the Inland Revenue:</p> <ul style="list-style-type: none">• gives tax relief for the time being for employee contributions to an occupational pension scheme that has not yet got a definitive trust deed; or• makes a personal pension scheme an approved scheme for the time being. <p>This is an occupational pension scheme for employees of:</p> |
| Public sector pension scheme | <ul style="list-style-type: none">• central Government;• local Government;• nationalised industries; and• other state organisations. |
| Public sector transfer arrangements | <p>This is the system used by a transfer club made up mainly of public sector pension schemes. A transfer club is where several schemes deal with transfer payments in the same way.</p> |
| Public service pension scheme | <p>This is a public sector pension scheme where the rules are set up by law, for example the Civil Service scheme.</p> |

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| Qualifying period | <p>This is the length of time an employee has to work for an employer before they can join the employer's pension scheme. It is also called a waiting period.</p> |
| Qualifying service | <p>This is the member's service which is used when working out if the member can have short service benefit. This is done when somebody stops being an active member of a scheme before they die or reach normal retirement age.</p> |
| Qualifying year | <p>This is a year when somebody has paid national insurance every week. If they have missed some weeks, they can sometimes pay a single amount to make up those weeks. They may have some weeks credited (counted as paid) for time when they were getting certain social security benefits.</p> |
| R | <p style="text-align: right;">(Back to the top.)</p> |
| Rate of return | <p>This is the income from an investment, including any change in value of the investment over a period.</p> |
| Real rate of return | <p>This is the rate of return on an investment with an amount taken off to account for inflation. This rate of inflation could measure rises in prices or earnings.</p> |
| Recognised occupation | <p>The Pension Schemes Office (PSO) does not normally allow a scheme to pay a pension before a member is 50 (or 60 with a retirement annuity). With some jobs, the PSO may allow a lower pension age. One example might be professional footballers, whose earnings are mostly early in their life. The list of these jobs is called the approved occupations list.</p> |
| Recommended contribution rate | <p>This is how much the actuary says the standard contribution rate should be.</p> |
| Reference scheme | <p>This is a system to work out the benefits that a theoretical scheme would pay. Since 5 April 1997, a contracted out salary-related scheme should now pay at least as much in benefits to a member as they would get under the reference scheme.</p> |
| Register | <p>This is a list of occupational pension schemes and personal schemes kept by the Occupational Pensions Regulatory Authority (OPRA). It can be used so that members can find schemes they have lost touch with, and so that OPRA can check that every scheme has paid the levy. The list is officially called the Pension Schemes Registry.</p> |
| Reinstatement | <p>This is when a member joins an occupational pension scheme when, in the past, they have either chosen not to join, or joined a personal scheme instead. In some cases, the member may get pension benefits for work they did before joining the occupational pension scheme. These are called past service benefits.</p> |
| Reinsurance | <p>This is where an insurance company has insured a particular event (such as a policyholder dying), and takes out a policy for the same event with another insurance company. The idea is to limit the risk that the original insurance company is taking.</p> |

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| Relevant benefits | <p>This is a name used in law for all the benefits affected by tax rules for occupational pension schemes. As a rough guide, it covers any benefit connected to retiring, leaving a job or dying. It does not cover benefits that are only paid when somebody dies while they are still working for the employer.</p> |
| Relevant earnings | <p>These are earnings of self-employed people or earnings of employees who are not in an employer's pension scheme. They are used to work out the highest amount which can be paid into a pension scheme where contributions get tax relief. These are sometimes called net relevant earnings.</p> |
| Requisite benefits | <p>Until November 1986, these were the pension benefits which contracted out occupational pension schemes had to provide.</p> |
| Retained benefits | <p>These are benefits earned from a member's past jobs, including self-employment. They are sometimes taken into account when working out the maximum approvable benefits.</p> |
| Retirement annuity | <p>This was a way that self-employed people, or people whose job did not offer an occupational pension scheme, could save for retirement. It was not a pension scheme, but an agreement with an insurance company or friendly society (a special type of financial firm). The agreement could be approved by the Inland Revenue, meaning the member got tax relief. No new retirement annuity agreements have been allowed since 1 July 1988.</p> |
| Retirement benefits scheme | <p>This is an arrangement where somebody is paid benefits that include relevant benefits. The term pension scheme does not always cover this type of scheme.</p> |
| Revaluation | <p>Revaluation This is the name used for increases in pension benefits. Revaluation is also an accounting term used to describe a change in an asset's value listed in a set of accounts.</p> |
| Revalued earnings | <p>Sometimes earnings are used to work out benefits. If the figures for these earnings have been index-linked (for example, changed to take account of price rises), they are called revalued earnings.</p> |
| Revalued earnings scheme | <p>This is a scheme where the benefits are based on revalued earnings over a certain time. SERPS is a revalued earnings scheme.</p> |
| Revenue limits | <p>These are the Inland Revenue's figures that set the largest amount of benefits and contributions allowed in an approved occupational pension scheme. There are different limits for class A, class B and class C members.</p> |
| Revenue undertaking | <p>This is an undertaking given to the Inland Revenue by pension scheme administrators. Under it the administrators agree to tell the Inland Revenue about any changes and get permission, if necessary, before taking action.</p> |
| Reversionary annuity | <p>This is an annuity which starts to pay benefits to someone when someone else dies. For example, it could give benefits to a pensioner's widow.</p> |
| Rules | |

The rules of a pension scheme are set out in the [trust deed](#). They tell the [trustees](#) what they should do.

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Salary grade scheme

This is a type of [career average scheme](#). The [benefits](#) earned each year depend on which range of earnings a [member](#) is in, rather than the exact amount they earned. For example, somebody who is paid £15,000 might earn the same [benefits](#) as somebody who is paid £15,500.

Salary-related scheme

This is a scheme where the [member](#)'s pension depends on their earnings. It is a type of [defined benefit scheme](#).

Salary sacrifice

This is an agreement between an [employer](#) and a worker. The employee gives up some of the wages they would have got in the future, and the [employer](#) pays the same amount as a [contribution](#) to a pension scheme. The [Inland Revenue](#)'s rules say this agreement must be in writing. This does not count as an [additional voluntary contribution](#). Salary sacrifice is sometimes called forgoing.

Schedule of contributions

This is a particular type of [payment schedule](#). It is signed by an [actuary](#), and designed to make sure the scheme does not have an [actuarial deficiency](#) during the time the schedule will be used. A [defined benefit scheme](#) must have a schedule of contributions because of the [minimum funding requirement](#).

Schedule 3 orders

This is when the Government decides how much [preserved benefits](#) should increase between a [member](#) leaving a scheme and their [normal pension date](#).

Scheme rules

These are the particular [rules](#) of a pension scheme. A [member](#) has the right to see the full scheme rules.

Section annuity

A section 32 annuity (also called a section 32 policy) is another name for a [buy-out policy](#). A section 226 annuity is another name for a [retirement annuity](#).

Section schemes

A section 53 scheme is an [occupational pension scheme](#) that used to be [contracted out](#), and still has a [guaranteed minimum pension \(GMP\)](#) or [protected rights](#). This means it is still dealt with by the [Contributions Agency](#). This used to be called a section 49 order. A section 590 scheme is an [occupational pension scheme](#) that gets [mandatory approval](#). This used to be called a section 19 scheme. A section 608 scheme is an [occupational pension scheme](#) that was [approved](#) before 6 April 1980 (under old [rules](#)), and has not taken any [contributions](#) since then.

Section orders

A section 53 order is the old name for a [schedule 3 order](#). A section 109 order is when the Government decides how much a [guaranteed minimum pension \(GMP\)](#) should rise by each year. It covers [GMPs](#) from after 1988. This used to be called a section 37A order. A section 148 order is when the Government decides how much the [earnings factor](#) should rise by each year. This used to be called a section 21 order.

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| Section policies | <p>A section 32 policy is a buy-out policy. This is also called a section 591 policy. A section 32A policy is an insurance policy that takes care of protected rights. It is used for an active member or a deferred pensioner when a contracted out money purchase scheme closes.</p> |
| Securities and Investments Board (SIB) | <p>This board watched over the organisations which control UK investment businesses. It also controlled, through a set of rules, what the UK investment businesses do. It has now been replaced by the Financial Services Authority.</p> |
| Segmentation | <p>This is setting up a number of pension schemes at the same time. It lets the member draw the pension benefits at different times. This only applies to personal pension schemes and retirement annuities. It is also called clustering.</p> |
| Segregated fund | <p>This is when a pension scheme's assets are managed by an investment manager from outside the scheme, but are kept separate from other assets that the investment manager controls.</p> |
| Selected retirement date | <p>This is the date a person expects to take benefits from a personal pension scheme. They choose the date when they join the scheme.</p> |
| Self-administered personal pension | <p>This is another name for a self-invested personal pension.</p> |
| Self-administered scheme | <p>This is an occupational pension scheme where the trustees or an investment manager decide how the assets are invested. Self-administered does not mean that the members run the scheme themselves.</p> |
| Self-employed annuity | <p>This was another name for a retirement annuity. This was a way that self-employed people, or people whose job did not offer an occupational pension scheme, could save for retirement. It was not a pension scheme, but an agreement with an insurance company or friendly society (a special type of financial firm). The agreement could be approved by the Inland Revenue, meaning the member got tax relief. No new retirement annuity agreements have been allowed since 1 July 1988.</p> |
| Self-invested personal pension (SIPP) | <p>In this type of pension scheme the member has a say in the scheme's investments. They may employ somebody to make these decisions for them.</p> |
| Self investment | <p>This is when an employer invests part of the pension fund in assets used in connection with the employer's business. For example, this could include buying land to build a new factory. In most cases, only five per cent of a scheme's assets can be invested in this way. Different rules apply to a small self-administered scheme.</p> |
| Service | <p>This is the length of time a person has worked for an employer or connected employers, such as one firm that took over another.</p> |
| Short service benefit | |

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| | <p>This is the pension benefit which must be kept for a person who stops being an active member of a pension scheme, but who does not start to get a pension straightaway.</p> |
| Simplified defined contribution scheme (SDCS) | <p>This is a money purchase scheme that is allowed to contract out and become approved under simpler rules and Inland Revenue limits than usual.</p> |
| Small self-administered scheme (SSAS) | <p>This is a self-administered occupational pension scheme with no more than 12 members. The scheme will normally be run for a family business. These schemes must meet special conditions, such as having a pensioner trustee, before they can be approved.</p> |
| Solvency test | <p>This is a test done by the actuary. The actuary works out whether the pension scheme has enough assets to pay the pension benefits owed to its members under the scheme rules. This test may be done to check a scheme meets the minimum funding requirement.</p> |
| Special contributions | <p>These are extra contributions that an employer pays into an occupational pension scheme. This could be to cover new benefits, or to make up an actuarial deficiency.</p> |
| Stakeholder | <p>This is a name for a pension scheme that meets certain conditions, including the charges and the way the scheme is run. Since October 2001, most employers that do not already offer a pension scheme must choose (nominate) a stakeholder scheme. Although the employer does not have to pay into this scheme, they must allow their staff easy access to the scheme.</p> |
| Standard contribution rate | <p>This is the normal contribution rate worked out by a valuation. It does not take into account any actuarial surplus or actuarial deficiency.</p> |
| State earnings related pension scheme (SERPS) | <p>This is the extra state pension that employed people could earn up to 5 April 2002. They paid extra national insurance contributions once their earnings reached the lower earnings limit. People could choose to contract out of SERPS by joining an appropriate occupational or personal pension scheme. This was replaced by the State Second Pension from 6 April 2002.</p> |
| State pension age | <p>This is sometimes used to mean the state pensionable age.</p> |
| State pensionable age | <p>This is the age people normally start getting the basic state pension and the benefits from SERPS (or its replacement, the State Second Pension.) At the moment, it is 65 for men and 60 for women. Between the years 2010 and 2020, the age for women will gradually rise to 65.</p> |
| State pension disregard | <p>This is another name for state pension offset.</p> |
| State pension offset | <p>This is when a member's pensionable earnings or a member's pension are reduced to take into account the amount of state pension the member will get. It is a type of integration. It is also known as offset.</p> |
| State scheme premium | |

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| | <p>This is a special amount paid to the DSS to buy certain SERPS benefits. In most cases, this meant that somebody who had contracted out could get some of the SERPS benefits they would normally have lost by being contracted out. Most state scheme premiums have not been available since 6 April 1997.</p> |
| State second pension | <p>This replaced the State Earnings Related Pension Scheme (SERPS) from 5 April 2002. The scheme is designed so that people who do not earn a lot will get a bigger pension than they would have got from SERPS. It is sometimes known as S2P.</p> |
| Statement of recommended practice | <p>This is advice issued by the Accounting Standards Committee on the accounting rules which should be followed for pension schemes.</p> |
| Statutory discharge | <p>The law says that a member who leaves a scheme has a right for the scheme to pay a certain amount (a cash equivalent). This amount is either put into a new scheme as a transfer payment, or used to buy an insurance policy (a buy-out policy) which later pays benefits straight to the member. Statutory discharge is when somebody uses this right.</p> |
| Statutory scheme | <p>This is a pension scheme set up by an Act of Parliament, for example the Civil Service scheme.</p> |
| Statutory transfer | <p>This is when a member uses a legal right to have their old scheme make a transfer payment to a new scheme.</p> |
| Superannuation | <p>This is a word which some schemes, particularly those in the public service, use to describe a member's contributions.</p> |
| Superannuation Funds Office (SFO) | <p>This was the part of the Inland Revenue that dealt with approved schemes before 1 April 1992. It is now called the Pension Schemes Office (PSO).</p> |
| Supplementary scheme | <p>This is a separate pension scheme which gives a member extra benefits. It is also called a top-up pension scheme.</p> |
| Surplus | <p>This is where the actuarial value of a scheme's assets is more than the actuarial liability. The surplus is the difference between the two.– It is usually called an actuarial surplus.</p> |
| Surrender | <p>This is when an insurance policy is cancelled and the insurance company pays an amount (called the surrender value) to the policyholder.</p> |
| Suspension order | <p>This is an order made by the Occupational Pensions Regulatory Authority (OPRA). It stops a named person from using their powers or carrying out their duties as a trustee of any occupational pension scheme covered by the order. The named person will get back these powers if the order is removed.</p> |
| T | <p style="text-align: right;">(Back to the top.)</p> |
| Targeted money purchase | <p>This is a money purchase scheme that says how much benefit it aims to pay. The scheme does not have to pay this amount.</p> |
| Tax relief at source | <p>This is a way of giving members tax relief. People in occupational pension schemes have their contributions taken out of their pay before their tax is worked out. People with</p> |

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| | <p>personal pensions pay their contributions after tax relief is given by the pension provider.</p> |
| Temporary annuity | <p>This is an annuity that is paid until a certain date, or until a certain person dies, whichever happens first.</p> |
| Term assurance policy | <p>This is a type of insurance policy which pays out if the insured person dies before a certain date.</p> |
| Term insurance policy | <p>This is another name for a term assurance policy.</p> |
| Terminal bonus | <p>This is a figure added to a with profits policy at the end of its term.</p> |
| Tied agent | <p>This is somebody who can only give advice on the financial products (such as pensions) sold by one firm or group.</p> <p>This is when an insurance firm pays out on a policy, and the person who gets the money uses it to buy an annuity from the insurance firm. For example, a pension scheme could use the money from a policy to buy an annuity for a member. The annuity rate will be whatever the insurance firm is offering at the time. This is different from a guaranteed annuity option, where the annuity rate is fixed by the insurance policy. This is also different to an open market option, where the money from the policy can be used to buy an annuity from a different insurance firm.</p> |
| Tied annuity option | |
| Top hat scheme | <p>This is a pension scheme for specially chosen employees. It is sometimes called an executive scheme.</p> |
| Top-up pension scheme | <p>This is where a member joins an extra pension scheme to get extra benefits. The Pension Schemes Office (PSO) uses this name for unapproved schemes.</p> |
| Total earnings scheme | <p>This is a type of career average scheme. It means the member's pension is worked out as a fraction (part) of their total earnings while they were in the scheme.</p> |
| Tracing service | <p>There are two tracing services. One is run by the Pension Schemes Registry to help people keep track of the pension benefits they have earned in the past. The other service is run by the DSS to help schemes keep track of their deferred pensioners.</p> |
| Tracker fund | <p>This is another name for a tracking fund.</p> |
| Tracking fund | <p>This is a way of investing that means buying a range of investments that should grow at the same rate as a particular market. For example, this could mean buying shares in the 100 biggest companies on the stock market. A tracking fund could be used for passive investment management.</p> |
| Transfer club | <p>This is a group of employers and occupational pension schemes which agree to deal with transfer payments in the same way.</p> |
| Transfer credit | <p>If a member changes schemes, they may get a transfer payment from their old scheme to the new one. The benefit that the member earns from this payment is called a transfer credit.</p> |

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| | <p>This will also count towards their qualifying service in the new scheme.</p> |
| Transfer payment | <p>This is an amount that a scheme may pay when a member leaves. This amount will either go into a new scheme that the member has joined, or will be used to purchase a buy-out policy for the member. The scheme may make this transfer payment because of the scheme's rules, or because of the member's rights under the law (a statutory transfer).</p> |
| Transfer premium | <p>This is an amount that could have been paid to the Government when a member moved their benefits to an occupational pension scheme that was not contracted out. When working out the figures, an amount was taken off to cover the guaranteed minimum pension (GMP). In return for the transfer premium, the member got extra benefits from SERPS. The transfer premium has not been available since 6 April 1997.</p> |
| Transfer value (TV) | <p>This is the amount paid as a transfer payment.</p> |
| Trivial pension | <p>This is a pension which is so small it can be cashed in without affecting the Pension Schemes Office (PSO) approval.</p> |
| Trust | <p>Under a trust, named people (called trustees) hold property on behalf of other people (called beneficiaries). The trustees can be beneficiaries.</p> |
| Trust corporation | <p>This is a company which acts as a trustee and holds the trust's assets.</p> |
| | <p>This is a legal document used to:</p> |
| Trust deed | <ul style="list-style-type: none">• set up a trust;• change a trust; or• control a trust. |
| Trust instrument | <p>This is the name for the documents which set up the trust and decide the trust's rules.</p> |
| Trustee | <p>This is a person or a company appointed to carry out what the trust must do. They must follow the laws that apply to trusts.</p> |
| Trustee report | <p>This is a report by the trustees on certain things to do with an occupational pension scheme. It may be part of the annual report.</p> |
| U | <p style="text-align: right;">(Back to the top.)</p> |
| Unallocated assets | <p>These are pension scheme assets which have not yet been used to provide pension benefits.</p> |
| Unapproved scheme | <p>This is an occupational pension scheme which is not designed to be approved by the Inland Revenue.</p> |
| Underfunding | <p>This is when a pension scheme's assets are less than its liabilities.</p> |
| Unfunded scheme | <p>In this type of pension scheme, assets are not saved up before the pension benefits are paid. A pay as you go scheme, such as SERPS, is a type of unfunded scheme.</p> |

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| Unfunded unapproved retirement benefits scheme (URBS) | This is an unfunded occupational pension scheme that is not designed to be approved by the Pension Schemes Office (PSO) . |
| Uniform accrual | This is the assumption that pension benefits are earned at the same rate over the whole time a member is expected to work. |
| Unisex annuity rates | These are annuity rates which are the same for men and women. |
| Unistatus annuity rates | These are annuity rates which are not affected by whether somebody is a man or a woman, whether they are married, single, separated or divorced, or whether they have any dependants . |
| Unit linked pension | In this type of pension scheme the pension scheme benefits depend on what happens to a unitised fund . The scheme is usually linked to the unitised fund through an insurance policy. |
| Unit trust | This is a trust which people can invest in by buying units. The trust uses investors' money to buy investments . The fund manager values the fund's assets from time to time and puts a new price on the fund's units. Unit trusts are sometimes called collective investment schemes. |
| Unitised fund | This is where a group of different people or companies have their money invested together, instead of separately (as with a segregated fund). The scheme is split up into units. A unit trust is a unitised fund. |
| Unitised with profits policy | This is a with-profits policy where each person or firm's investment is a share of the fund, rather than a particular amount of money. |
| Untied annuity option | This name is sometimes used for an open market option . This is the option to use the money from an insurance contract to buy an annuity from any insurance scheme at whatever annuity rate they offer. It could apply to a member 's share of a pension fund , meaning they can shop around for the best deal. |
| Unused relief | This is the amount of tax relief that a member of a personal pension scheme has available for their contributions , but has not yet used. They may choose to count this unused relief for a different tax year, which is called carry back or carry forward . |
| Upper band earnings | These are earnings between the lower earnings limit for national insurance and the upper earnings limit . People in the State Second Pension have to pay extra national insurance based on these earnings. |
| Upper earnings limit (UEL) | This is the highest amount of earnings on which employees pay national insurance . The employer still pays national insurance for earnings above this limit. |
| Upper tier earnings | This is another name for upper band earnings . |
| V | (Back to the top.) |
| Valuation | This word is sometimes used to mean an actuarial valuation . This is when an actuary checks what the pension scheme |

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| | <p>assets are worth and compares them with the scheme's liabilities. The actuary works out how much the contributions from employers and members must be so that there will be enough money in the scheme when people get their pensions. With defined benefit schemes, there must be an actuarial valuation every three years.</p> |
| Valuation balance sheet | <p>This is a way of showing actuarial assets and actuarial liabilities. An actuarial surplus or actuarial deficiency is listed to balance the figures.</p> |
| Valuation basis | <p>This is the name for the way the actuary values a scheme's assets and liabilities, and the estimates they make.</p> |
| -Valuation date | <p>This is the date used for the actuarial valuation. The figures shown will be for this date.</p> |
| Valuation method | <p>There are several ways that actuaries can value pension scheme assets and liabilities. The actuarial report must say which way was used.</p> |
| Valuation report | <p>This is a report on an actuarial valuation. It is also called an actuarial report.</p> |
| Variable pension | <p>This is another name for income withdrawal. This is when a member retires, but chooses not to buy an annuity straightaway. In the meantime, they take an income from the scheme. This could apply to a member of a small self-administered scheme, a personal pension scheme or a defined contribution occupational pension scheme.</p> <p>These are:</p> <ul style="list-style-type: none">• preserved benefits for deferred pensioners;• benefits an active member can have without any conditions when they leave the scheme; or• the benefits an existing pensioner can have. |
| Vested rights | |
| W | <p style="text-align: right;">(Back to the top.)</p> |
| Waiting period | <p>This is the length of time an employee has to work for an employer before they can join the employer's pension scheme. It is also called a qualifying period.</p> |
| Waiver of premium | <p>This is a benefit that a personal pension scheme or a retirement annuity may offer. It means that an insurance company will pay extra money into the scheme if the member cannot pay their usual contributions because of ill-health or disability.</p> |
| Whistle blowing | <p>An occupational pension scheme's actuary or auditor (the person who checks the accounts) must by law tell Occupational Pensions Regulatory Authority (OPRA) if they believe the scheme is breaking certain rules. Other people can tell OPRA this, but they do not legally have to do so.</p> |
| Widow s (or widower s) guaranteed minimum pension (WGMP) | <p>A contracted out occupational pension scheme must pay at least this amount in pension benefits to the widow or widower of a member who dies. This applies for any benefits earned before</p> |

6 April 1997. It does not apply to a scheme that has [contracted out](#) under the [protected rights](#) rule.

Winding up

This is closing an [occupational pension scheme](#). It can be done by buying [annuities](#) for all the [members](#). These will be [deferred annuities](#) in some cases. Another way of winding up a scheme is to move all its [assets](#) and [liabilities](#) into another scheme. This will be done by following the [scheme rules](#), or any laws that apply.

With-profits policy

This is a type of insurance policy. It means that a policyholder will get a share of any [surplus](#) in the insurance company's life insurance and pensions business.