

Pensions A to Z

Accrual rates

If you are in the Defined Benefit section, this is the proportion of your pensionable salary you receive as a pension for each year you have been a member of the scheme.

Active member

This is a member of a company pension scheme who is building up pension benefits from their current job.

Actuarial valuation

When an actuary checks what the Defined Benefit section's pension scheme assets are worth and compares them with how much the pension scheme will have to pay now or at some time in the future. 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 members get their pensions. With defined benefit schemes, there must be an actuarial valuation at least every three years.

Actuary

An actuary is an expert on pension scheme assets and liabilities, life expectancy and probabilities (the likelihood of things happening). An actuary works out whether enough money is being paid into a defined benefit pension scheme to pay the pensions when they are due.

Additional State Pension

The pension, based partly on earnings, that is provided in addition to the Basic State Pension. This is the same as SERPS and S2P. You have to pay full rate national insurance contributions to receive this. Defined Contribution section members do. Members of the Defined Benefit section pay reduced rate national insurance contributions and will not receive this.

Additional Voluntary Contributions (AVCs)

Contributions you can choose to pay in addition to your Regular Contributions to provide extra benefits.

Annuity

An income for a specified period of time, or life, purchased from the defined contribution section.

Assets

Everything that the trustees hold for the pension scheme. They can include investments, bank balances and any debts.

Basic State Pension

The flat rate state pension paid to all who have met the minimum NI contribution requirements. The amount is increased if the recipient is married.

Beneficiary

A person entitled to a benefit or who will become entitled to a benefit on a specified event ie death of a member.

Consumer Prices Index (CPI)

It is the measure adopted by the Government for its UK inflation target. The CPI is published monthly by the Office for National Statistics. Each month around 120,000 separate price quotations are collected for around 650 items which make up the Consumer Prices Index (CPI) 'basket' of goods and services.

Contribution rates

This is how much you contribute and how much the Company contributes.

Default Fund (Defined Contribution section)

If you do not make an investment choice when you join, your contributions will be invested in the Default Fund. This is currently the Lifestyle Fund.

Defined benefit section

The pension that you get at retirement is worked out using a formula defined in the Group rules.

Defined contribution section

This type of scheme works more like a traditional investment account. The contributions that you pay are known but the benefit or pension that you will receive is unknown, until you retire.

Funding position (Defined Benefit section)

This is a comparison of a scheme's assets and liabilities or, in other words, how much a scheme is worth compared with how much it will need to pay out.

Group Rules

The rules of a pension scheme are documented in the trust deed and details the benefits and what the trustees can and cannot do.

Ill health pension

If you are a member of the Defined Benefit section you can apply for an ill health pension if you are sick.

Liabilities (Defined Benefit section)

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.

Member

This usually means someone who is, or has been, in a pension scheme.

Normal retirement age

This is the age that the scheme rules say a member has the right to take their pension unreduced.

Pensionable service (Defined Benefit section)

This is the period of employment which is taken into account when working out pension benefits.

Personal Account

The investments recorded for you by the Administrator. It holds the details of the contributions that have been invested and which funds are being used.

Reduced pension (Defined Benefit section)

If a pension is paid before the normal retirement age it is expected that the pension will be paid for longer. The pension is therefore reduced by an age related factor and you receive a reduced pension.

Retail Prices Index (RPI)

The Retail Prices Index (RPI) is the general purpose domestic measure of inflation in the UK. It measures the change in the cost of a basket of retail goods (usually household items such as a loaf of bread) and services. It also includes changes in the cost of mortgage interest payments.

Section

Part of a pension scheme with its own set of rules that determine the type of benefits its members receive.

State Earnings Related Pension Scheme (SERPS)

The additional pension provisions of the state pension scheme for members who are not contracted out through their occupational pension scheme. This was replaced by S2P from 6 April 2002.

State Second Pension (S2P)

The state pension scheme introduced with effect from 6 April 2002 to replace SERPS to enhance the basic state pension.

Trust

Under a trust, named people (called trustees or trustee directors) hold property, or assets, on behalf of other people (called beneficiaries). The trustees can also be beneficiaries.

Trustee

This is a person or a company appointed to legally hold and administer a trust for its beneficiaries. They must follow the laws that apply to trusts.