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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.
- Caroline Instance and David Cresswell at the Occupational Pensions Regulatory Authority.
- Stephanie Hawthorne at Pensions World.
- Everyone from the Pensions Education Working Group.
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- Peter Wood at Premier Promotions.

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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.

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

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

	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.
87−89 member	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.
A	(Back to the top.)
ABI 1994 method	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.**
Accrual rate	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**.
Accrued benefits	These are the pension **benefits** that have built up for a pension scheme **member**.
Accumulated contributions	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**.
Accrued rights	This term is sometimes used to mean **accrued benefits**.
Active investment management	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.
Active member	This is a **member** of an **occupational pension scheme** who is building up pension **benefits** from their present job.
Actuarial assumptions	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**.
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.
Actuarial increase	This is the extra pension benefit a **member** gets when retiring after the **normal retirement age**.
Actuarial liability	This is the money a pension scheme will have to pay out for pensions after the date of the **actuarial valuation**.
Actuarial reduction	This is a drop in a **member** s pension because they have taken their pension early.
Actuarial report	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.
Actuarial surplus	This is where the **actuarial value** of a scheme s **assets** is more than the **actuarial liability** . The actuarial surplus is the

	difference between the two.
Actuarial valuation	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.
Actuarial value	This is the value an **actuary** puts on something.
Actuary	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.
Added years	This is when a **member** of a **defined benefit pension scheme** becomes entitled to extra pension **benefits** because: • 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	This is another name for **additional pension**.
Additional pension	This is what the Government sometimes calls the pension paid by **SERPS** (or its replacement, the State Second Pension)
Additional voluntary contribution (AVC)	This is an extra amount (**contribution**) a **member** can pay to their own pension scheme to increase the future pension **benefits**.
Administrator	This is the person who is responsible for managing a pension scheme from day to day.
Allocation option	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**.
Annual pension estimate	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.
Annual report	This is a report that the **trustees** of an **occupational pension scheme** send to **members** and **employer**s each year to keep them informed on the scheme.
Annuitant	This is a person who receives, or is entitled to, an **annuity**.
Annuity	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.
Annuity rate	

	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.
Appropriate scheme	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.
Approval	This is when the **Pension Schemes Office (PSO)** says that a scheme is suitable for tax relief. This means **member**s 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**.
Approved occupations list	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**.
Approved scheme	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**.
Assets	These are everything that the **trustees** hold for the pension scheme. They can include **investments**, bank balances, and **debtors**.
Auditor	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**.
Augmentation	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.
Average earnings scheme	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.
B	(Back to the top.)
Band earnings	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**.
Basic component	This is a term pension companies use for the **basic state pension**.
Basic pension	

	This is what the Government sometimes calls the **basic state pension**.
Basic state pension	This is a pension paid by the Government to people who have enough **qualifying years**. It is not earnings related.
Beneficiary	This is a person who is getting pension benefits, or will do so when a particular event happens.
Benefit statement	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.
Benefits	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.
Benefits Agency	This is an organisation connected to the **DSS**. It is in charge of paying state benefits such as Income Support and Jobseeker s Allowance.
Benefits in kind	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.
Bid price	This is the price **members** of a **unit trust** will get for each unit if they cash them in.
Bridging pension	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**.
Bulk transfer	This is when a group of **members** is moved from one **occupational pension scheme** to another.
Buy out policy	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.
C	(Back to the top.)
Cancellation notice	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**.
Capitalised value	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.
Career average scheme	

	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.
Carry back	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.
Carry forward	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.
Cash equivalent	This is the amount of money a pension scheme **member** can transfer to another pension scheme.
Cash option	This is giving up part or all of a pension in return for getting a one−off payment straightaway. It is also called **commutation**.
Centralised scheme	This is a pension scheme which is used by several **employers**.
Certificate of eligibility	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**.
Certificate of existence	This is a document to confirm that a pension scheme **member** is still alive.
Class A member	A 'class A' member is: • 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.
Class B member	A 'class B' member is: • 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	A class C member is a **member** of an **occupational pension scheme** who joined before 17 March 1987.
Clawback	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.
Closed scheme	This is the name for a pension scheme which does not accept new **members** anymore.
Clustering	This is setting up a number of pension schemes at the same time. It lets the **member** draw the pension **benefits** at different times.
Collective investment schemes	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

	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**.

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**.

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 memberretires, 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.

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..
Dynamisation	This is: • ***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.

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	

	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.
Ex gratia benefit	This is something that an **employer** gives to an employee, even though they do not have to.
Executive pension plan (EPP)	This is another name for an **executive scheme**.
Executive scheme	This is a pension scheme for specially chosen employees. It is also known as a **top hat scheme**.
Exempt approved scheme	This is an **approved scheme** that is not a **personal pension scheme**, and is set up under a **trust** that cannot be changed.
Experience deficiency	This is the **deficit** (loss) when the pension scheme s actual performance is compared with what the **actuary** originally predicted.
Experience surplus	This is the **surplus** (profit) when the pension scheme s actual performance is compared with what the **actuary** originally predicted.
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** or **form of request**.
F	(Back to the top.)
Final average earnings	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.
Final earnings scheme	This is another name for a **final salary scheme**.
Final pensionable earnings	This is another name for **final average earnings**.
Final remuneration	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**.
Final salary scheme	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.
Financial Services Authority (FSA)	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***.
Flat rate scheme	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**.
Forgoing	This is a written agreement between the **member** and their **employer** where the **member** agrees to have their wages cut by

	a certain amount. The **employer** then puts this amount into the pension scheme for the employee. This is also called salary sacrifice.
Form of request	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**.
Franking	This is the name given to taking any increase in the **guaranteed minimum pension** off the other pension **benefits**.
Free cover	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.
Free−standing additional voluntary contributions	These are payments into a **free−standing additional voluntary contribution (FSAVC) scheme**.
Free−standing additional voluntary contribution (FSAVC) scheme	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.
Frozen benefits	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**.
Frozen scheme	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.
Fully insured scheme	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.
Fund account	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.
Funded unapproved retirement benefits scheme (FURBS)	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**.
Funding	This is setting **assets** aside (saving up) so that money is available to pay future **liabilities**.
Funding level	This is a comparison of a scheme s **assets** and **liabilities**.

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: • 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	(Back to the top.)
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	(Back to the top.)
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	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 a drawdown facility.
Increment	

	This means an increase in contributions to an existing pension scheme.
Independent financial advisor (IFA)	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.
Independent trustee	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.
Indexation	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.
Index linking	This is another name for **indexation**.
Individual arrangement	This is an **occupational pension scheme** with only one **member**.
Inflation proofing	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.
Inland Revenue	This is the Government department that deals with taxes.
Inland Revenue limits	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.
Insured scheme	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.
Integration	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.
Interim trust deed	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**.
Internal dispute resolution (IDR)	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**.
Interim bonus	This is a figure added to a with profits policy from an insurance company's surplus.
Investment	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.

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**.
Later earnings addition	When a **member** is still in **pensionable employment** and: • 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**.

Lifelong Individual Savings Account (LISA)	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)**.
Limited price indexation (LPI)	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.
Linked qualifying service	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.
Long service benefit	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**.
Lower earnings limit (LEL)	This is the least amount someone must earn before they have to pay **national insurance**.
Lump sum certificate	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.
M	(Back to the top.)
Managed fund	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**.
Mandatory approval	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**.
Market value	This is the price an **asset** should fetch if it is sold on the open market.
Market value adjustment	This is the amount by which the value of a with profits policy is adjusted to take into acount changes in stock market values.
Master policy	This is an insurance policy which covers more than one person. It is also called a **group policy**.
Maximum approvable benefit	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.

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	(Back to the top.)
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)	

	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**.
Normal retirement age (NRA)	This is when employees doing a particular job usually retire. It is usually the same as the **normal pension age**.
Normal retirement date (NRD)	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**.
O	(Back to the top.)
Occupational pension scheme	This is a scheme organised by an **employer** to provide pension **benefits** for their employees. It is sometimes called a **company pension scheme**.
(Occupational) Pensions Advisory Service (OPAS)	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.
Occupational Pensions Regulatory Authority (OPRA)	This is the official organisation that makes sure **trustees** of **occupational pension schemes** follow the law.− OPRA s helpline number is 01273 627600.
Offset	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**.
Open market option	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.
Opting out	This is when an employee leaves an **occupational pension scheme** or chooses not to join one.
Option	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.
Ordinary annual	These are the **contributions** an **employer** pays regularly into an **occupational pension scheme**.
Overfunding	This is where a scheme has an **actuarial surplus**.
Overlap	This is where a **dependant** s pension is paid as well as a **pension guarantee** payment.
Overriding legislation	This is where the law overrides a pension scheme s **rules**.
P	(Back to the top.)
Paid up benefit	This is a type of **preserved benefit** that will be paid by an insurance policy. This policy has been fully paid for.
Partially approved scheme	

	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.
Passive investment management	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**.
Past service	This is **service** before a **member** has joined the pension scheme or before a particular date.
Past service benefit	This is a pension **benefit** which a **member** has earned for **past service** or for **service** before the pension scheme was formed.
Pay as you go (PAYG)	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.
Payment schedule	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.
Pension cost	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.
Pension fraction	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.
Pension fund	This is the money saved and turned into **assets** of the pension scheme.
Pension guarantee	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**.
Pension increase	This is when a pension which is already being paid is increased.
Pension provider	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.
Pension scheme statement of recommended practice (SORP)	These are the **rules** that say how the accounts of an **occupational pension scheme** must be worked out and written.
Pension Schemes Office	This is the part of the **Inland Revenue** that decides whether a

(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.
Pensioneer 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

	prolonged disability insurance.
Permitted investments	These are the types of investments that trustees can make under trust deed rules.
Permitted maximum	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.
Personal Investment Authority (PIA)	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.
Personal pension	This is someone s personal pension arrangement. It can also mean a retirement annuity set up before July 1988.
Personal pension arrangement	This is the agreement somebody has with a pension firm about their personal pension scheme.
Personal pension contributions certificate− (PPCC)	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.
Personal pension Scheme (PPS)	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.
Phased drawdown	This is a type of drawdown facility. It means part of the pension fund
Pivotal age	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.
Pooled Pension Investment (PPI)	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).
Post 89 member	This is another name for a class A member. This is somebody who is: • 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	This is the system of maximum approvable benefits allowed for class A, class B or class C members.

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.

Priority liabilities	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.
Priority rule	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.
Proceeds of policy scheme	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.
Prohibition 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 one particular occupational pension scheme.
Prolonged disability 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 permanent health insurance.
Protected rights	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.
Protected rights annuity	This is a pension bought with the money from protected rights.
Provision	This is an amount set aside in accounts for liabilities which are known about, but which cannot be measured accurately.
Provisional approval	This is when the Inland Revenue: • 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.
Public sector pension scheme	This is an occupational pension scheme for employees of: • central Government; • local Government; • nationalised industries; and • other state organisations.
Public sector transfer arrangements	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.
Public service pension scheme	This is a public sector pension scheme where the rules are set up by law, for example the Civil Service scheme.
Q	(Back to the top.)

Qualifying period	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**.
Qualifying service	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**.
Qualifying year	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.
R	(Back to the top.)
Rate of return	This is the income from an **investment**, including any change in value of the **investment** over a period.
Real rate of return	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.
Recognised occupation	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**.
Recommended contribution rate	This is how much the **actuary** says the **standard contribution rate** should be.
Reference scheme	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.
Register	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**.
Reinstatement	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**.
Reinsurance	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.

Relevant benefits	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**.
Relevant earnings	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.
Requisite benefits	Until November 1986, these were the pension **benefits** which **contracted out occupational pension schemes** had to provide.
Retained benefits	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**.
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.
Retirement benefits scheme	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.
Revaluation	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.
Revalued earnings	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.
Revalued earnings scheme	This is a scheme where the **benefits** are based on **revalued earnings** over a certain time. **SERPS** is a revalued earnings scheme.
Revenue limits	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**.
Revenue undertaking	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.
Reversionary annuity	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.
Rules	

	The rules of a pension scheme are set out in the **trust deed**. They tell the **trustees** what they should do.
S	(Back to the top.)
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.

Section policies	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.
Securities and Investments Board (SIB)	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**.
Segmentation	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**.
Segregated fund	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.
Selected retirement date	This is the date a person expects to take benefits from a personal pension scheme. They choose the date when they join the scheme.
Self−administered personal pension	This is another name for a **self−invested personal pension**.
Self−administered scheme	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.
Self−employed annuity	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.
Self−invested personal pension (SIPP)	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.
Self investment	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**.
Service	This is the length of time a person has worked for an **employer** or connected **employers**, such as one firm that took over another.
Short service benefit	

	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.
Simplified defined contribution scheme (SDCS)	This is a **money purchase scheme** that is allowed to **contract out** and become approved under simpler **rules** and **Inland Revenue limits** than usual.
Small self−administered scheme (SSAS)	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 **pensioneer trustee**, before they can be approved.
Solvency test	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**.
Special contributions	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**.
Stakeholder	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.
Standard contribution rate	This is the normal **contribution** rate worked out by a **valuation**. It does not take into account any **actuarial surplus** or **actuarial deficiency**.
State earnings related pension scheme (SERPS)	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.
State pension age	This is sometimes used to mean the **state pensionable age**.
State pensionable age	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.
State pension disregard	This is another name for **state pension offset**.
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**. It is also known as **offset**.
State scheme premium	

	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.
State second pension	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.
Statement of recommended practice	This is advice issued by the Accounting Standards Committee on the accounting **rules** which should be followed for pension schemes.
Statutory discharge	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.
Statutory scheme	This is a pension scheme set up by an Act of Parliament, for example the Civil Service scheme.
Statutory transfer	This is when a **member** uses a legal right to have their old scheme make a **transfer payment** to a new scheme.
Superannuation	This is a word which some schemes, particularly those in the public service, use to describe a **member** s **contributions**.
Superannuation Funds Office (SFO)	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)**.
Supplementary scheme	This is a separate pension scheme which gives a **member** extra **benefits**. It is also called a **top−up pension scheme**.
Surplus	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***.
Surrender	This is when an insurance policy is cancelled and the insurance company pays an amount (called the surrender value) to the policyholder.
Suspension order	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.
T	(Back to the top.)
Targeted money purchase	This is a **money purchase scheme** that says how much **benefit** it aims to pay. The scheme does not have to pay this amount.
Tax relief at source	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

	personal pensions pay their contributions after tax relief is given by the pension provider.
Temporary annuity	This is an **annuity** that is paid until a certain date, or until a certain person dies, whichever happens first.
Term assurance policy	This is a type of insurance policy which pays out if the insured person dies before a certain date.
Term insurance policy	This is another name for a **term assurance policy**.
Terminal bonus	This is a figure added to a with profits policy at the end of its term.
Tied agent	This is somebody who can only give advice on the financial products (such as pensions) sold by one firm or group.
Tied annuity option	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.
Top hat scheme	This is a pension scheme for specially chosen employees. It is sometimes called an **executive scheme**.
Top−up pension scheme	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**.
Total earnings scheme	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.
Tracing service	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**.
Tracker fund	This is another name for a **tracking fund**.
Tracking fund	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**.
Transfer club	This is a group of **employers** and **occupational pension schemes** which agree to deal with **transfer payments** in the same way.
Transfer credit	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.

	This will also count towards their **qualifying service** in the new scheme.
Transfer payment	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**).
Transfer premium	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.
Transfer value (TV)	This is the amount paid as a **transfer payment**.
Trivial pension	This is a pension which is so small it can be cashed in without affecting the **Pension Schemes Office (PSO) approval**.
Trust	Under a trust, named people (called **trustees**) hold property on behalf of other people (called beneficiaries). The **trustees** can be beneficiaries.
Trust corporation	This is a company which acts as a **trustee** and holds the **trust** s **assets**.
Trust deed	This is a legal document used to: • set up a **trust**; • change a **trust**; or • control a **trust**.
Trust instrument	This is the name for the documents which set up the **trust** and decide the **trust** s **rules**.
Trustee	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**.
Trustee report	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**.
U	(Back to the top.)
Unallocated assets	These are pension scheme **assets** which have not yet been used to provide pension **benefits**.
Unapproved scheme	This is an **occupational pension scheme** which is not designed to be **approved** by the **Inland Revenue**.
Underfunding	This is when a pension scheme s **assets** are less than its **liabilities**.
Unfunded scheme	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.

Unfunded unapproved retirement benefits scheme (UURBS)	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

	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.
Valuation balance sheet	This is a way of showing **actuarial assets** and **actuarial liabilities**. An **actuarial surplus** or **actuarial deficiency** is listed to balance the figures.
Valuation basis	This is the name for the way the **actuary** values a scheme s **assets** and **liabilities**, and the estimates they make.
−Valuation date	This is the date used for the **actuarial valuation**. The figures shown will be for this date.
Valuation method	There are several ways that **actuaries** can value pension scheme **assets** and **liabilities**. The **actuarial report** must say which way was used.
Valuation report	This is a report on an **actuarial valuation**. It is also called an **actuarial report**.
Variable pension	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**.
Vested rights	These are: • **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.
W	(Back to the top.)
Waiting period	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**.
Waiver of premium	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.
Whistle blowing	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.
Widow s (or widower s) guaranteed minimum pension (WGMP)	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

	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 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.