

pension jargon buster

Here are some common terms and phrases relating to pensions, with an explanation of each

Active Member	A member of the Scheme who is currently working and contributing to the Scheme.
Additional Voluntary Contributions (AVCs)	Contributions which a member of the Scheme chooses to make over and above 8% of their basic salary. Usually, the additional contributions are used to secure extra pension on retirement.
Annual Allowance	The limit of tax privileges available on contributions made to a registered pension scheme in a given tax year. The annual allowance in the tax year 2008-09 will be the lower of annual gross earnings or £235,000.
Annuity	<p>This is a contract through which you transfer your pension savings to an insurance company when you retire. In return, the insurance company will pay you a specified amount of income on a regular basis as a pension.</p> <p>The amount of pension depends on how large your individual retirement account is when you retire and the type of annuity that you buy. Some annuities pay income for life and some pay out for a fixed number of years.</p> <p>The cost of buying an annuity is also affected by interest rates, economic conditions and life expectancy.</p>
Basic Salary	Your normal pay excluding any bonus, overtime or other additional payments unless specifically agreed by HBOS.
Basic State Pension	The flat rate state pension that is paid to everyone who has made a minimum level of National Insurance contributions.
Deferred Pensioner	A person who leaves the Scheme before retirement age, but who is eligible for a pension at normal retirement age.
Defined Contribution Scheme	An alternative name for a Money Purchase Scheme.
Dependant	A person who is either wholly or mainly financially dependant on a scheme member or pensioner.
Early Retirement	Retirement before the Scheme's normal pension date, but with the immediate payment of retirement benefits. HBOS and the trustees must agree to early retirement and benefits are based on the fund value at the date of retirement.
Ill Health Early Retirement	Retirement on medical grounds before normal pension date.

Indexation	Increases to pension benefits in line with a specified index, such as the Retail Price Index. This feature can be purchased at retirement.
Individual Retirement Account	An account in your name, separately identifiable from all other members of the HBOS Group Money Purchase Scheme. The account holds all the investments that have been bought by the contributions made by you and by HBOS, together with the investment return on those investments.
Lifetime Allowance	The lifetime allowance is the maximum amount of tax-privileged pension savings that any one individual can accumulate. For the 2008-09 tax year this is £1.65m.
Money Purchase Scheme	A scheme where the benefits paid are based on the contributions made by the individual colleague and HBOS. Also known as a Defined Contribution Scheme.
Nomination Form	A colleague's preference as to who should receive any lump sum benefit that is payable when he/she dies. You can register your preferences via the online Nomination Form at the HR in HBOS intranet site.
Occupational Pension Scheme	A scheme organised by an employer to provide pension and other benefits to employees in a variety of circumstances, such as retirement and death.
Opting Out	A decision by a colleague to leave or not to join the Scheme.
Pensioner	A person who is currently receiving a pension from a pension scheme..
State Second Pension (S2P)	The state pension scheme which is in addition to the Basic State Pension. This used to be called SERPS.
State Pension Age (SPA)	Currently 65 for males and 60 for females, increasing to 65 between 2010 and 2020, increasing to 68 by April 2046.
Transfer Payment	A payment made from one pension scheme to another so that an individual can secure extra benefits in the receiving scheme while giving up their right to benefits in the paying scheme. This increases the size of the individual retirement account.
Trustee	An individual or company appointed to carry out the obligations of a trust in accordance with the Trust Deed and Rules and the general principles of trust law.