

Pension Terms – Glossary

<i>A-Day</i>	6 April 2006, the date from which pensions simplification took effect.
<i>Annual Allowance (AA)</i>	The AA is the maximum tax-free increase in the capital value of a members pension benefits, allowable in any one year. If the growth in the Capital Value of the benefits is greater than the AA the member will be liable for an annual allowance charge.
<i>Annual Allowance Charge</i>	Applies to the excess growth in the capital value of benefits in the Pension Input Period.
<i>Benefit Crystallisation Event (BCE)</i>	Is an event or occurrence (commonly retirement) that triggers a test of the benefits 'crystallising' at that point against the individual's available lifetime allowance .
<i>Capital Value</i>	This is the definition of the value of your benefits as determined by HMRC.
<i>Enhanced Protection</i>	A method of protecting both pension benefits built up before A-Day and any growth in those benefits post A-Day. The registration period ran from 6 April 2006 to 5 April 2009.
<i>Lifetime Allowance (LTA)</i>	An overall ceiling on the amount of tax privileged pension savings that any one individual can draw. The exact figure will be whatever the 'standard lifetime allowance' for the tax year concerned is or a multiple of this figure where certain circumstances apply.
<i>Lifetime Allowance Charge (LTAC)</i>	A charge to income tax that arises on any chargeable amount generated at a benefit crystallisation event . The rate of charge is either 25% or 55%, depending on whether the 'event' giving rise to the charge was the payment of a lump sum or not. The scheme administrator and member are jointly liable to the charge, except where the chargeable amount arises following the death of the member. Here, the recipient of the payment giving rise to the charge is solely liable.

<i>Nominated date</i>	The date used to establish the total value of a persons pension fund, it is used to confirm if a trivial commutation can be allowed.
<i>Pension Input Amount</i>	The amount of any increase in an individual's benefits.
<i>Pension Input Period</i>	The period of time over which the Annual Allowance is tested. For the NHS Pension Scheme, this will be the period from 1 April to 31 March the following year, unless a member joins or leaves the scheme part way through the year.
<i>Personal Lifetime Allowance (PLA)</i>	Your PLA will be either the normal LTA or a higher amount granted to you by HMRC, for example under Primary Protection.
<i>Primary Protection</i>	This was a method of protecting pension benefits built up before A-Day, that are in excess of £1.5m, from a future lifetime allowance charge on that part of the pension fund above the lifetime allowance. The registration period ran from 6 April 2006 to 5 April 2009.
<i>Qualifying Overseas Recognised Pension Scheme (QORPS)</i>	An overseas pension scheme, which has satisfied HMRC requirements.
<i>Registered Pension Scheme</i>	A pension scheme is a registered pension scheme at any time when, either through having applied for registration and been registered by HMRC, or through acquiring registered status by virtue of being an approved pension scheme on 5 April 2006, it is registered under Chapter 2 of Part 4 of the Finance Act 2004.
<i>Recycling of Lump Sums</i>	In certain circumstances HMRC regard lump sum payments as "recycling" and incur further tax liabilities. Further information on this can be found at www.hmrc.gov.uk
<i>Relevant Benefits Accrual (RBA)</i>	This is a test to ensure that your NHS Pension Scheme benefits have not increased above the prescribed limits set by HMRC. The limit has been set at the greater of 5% compound per annum or the growth in retail price index for each year after A-Day.

<i>Retail Prices Index (RPI) and Consumer Price Index (CPI)</i>	Different methods by which consumer price inflation is measured. (Compiled by the Office for National Statistics.) May also be known as "cost of living increases" or PI."
<i>Second Bite Lump Sum</i>	This occurs when there are outstanding cost of living increases, which were not known at the time an individual's lump sum is paid.
<i>Scheme Administrator</i>	The person or persons who made the declaration under section 270 Finance Act 2004. For the NHS Scheme the formal administrator is the NHS Business Services Authority, of which NHS Pensions is an operating division.
<i>Standard Lifetime Allowance (SLA)</i>	~The lifetime limit on an individual's tax-privileged pension savings. It is currently set at £1.5 million.
<i>Transitional Protection</i>	A period ran from 6 April 2006 to 5 April 2009 between which Individuals could elect to protect their pension rights, e.g. significant (or the expectation of significant) pension benefits, to avoid a potential LTAC by registering for Primary Protection and/or Enhanced Protection.
<i>Trivial Commutation Lump Sum</i>	A lump sum benefit paid to a member of a registered pension scheme (who is aged under 75) because the Capital Value of all their pension entitlements (under both that scheme and other such schemes) is below 1% of the SLA.
<i>Trivial Commutation Lump Sum Death Benefit</i>	A lump sum benefit paid to a dependant of a scheme member of a registered pension scheme (who died before age 75) because the Capital Value of that dependant's entitlement under that scheme is less than 1% of the SLA.