

Tyne and Wear Pension Fund

Administered by South Tyneside Council



Jargon Buster

A

Active Member

An employee who is currently paying pension contributions.

Added Years

A period of membership purchased within a Pension Fund to increase the pension benefits that the member will receive.

Additional Voluntary Contributions (AVCs)

Paying into an **AVC** policy (via the **LGPS**) is an option for increasing your pension benefits. Our current **AVC** provider is the Prudential.

Administering Authority

South Tyneside Council as **Administering Authority** is responsible for the administration of the **Tyne and Wear Pension Fund (TWPF)**.

Admitted Body

A body, which can be admitted to the **LGPS** with the agreement of the **Administering Authority**.

Annual Allowance

This is the amount by which the value of your pension benefits may increase in any one year (disregarding the year that all your benefits become payable) without having to pay income tax at 40% on the excess. The **annual allowance** for 2006/2007 is £215,000.

B

Beneficiary

This is a person who has an entitlement to, or will have an entitlement to benefits under the rules of the **LGPS**, when specific events occur.

C

Cash Equivalent Transfer Value (CETV)

A calculation to determine the capital value of a member's accrued pension benefits. This value is calculated in accordance with the Local Government Pension Scheme Regulations 1997 (as amended), which comply with the requirements of the Pension Scheme Act 1993 and in accordance with actuarial guidance notes.

Certified Amount

This is the employee's part of **CEP**, which is recovered if a person receives a refund of pension scheme contributions.

Civil Partnership

The Civil Partnership Act came into force on 5th December 2005, allowing same sex couples to gain legal recognition for their relationship thus allowing the same benefits as married couples. If a **civil partnership** doesn't work out, there is a legal 'divorce' procedure called dissolution.

Contributions Equivalent Premium (CEP)

This is the amount payable to the 'Service to Pension Industry' area of the **HMRC** to reinstate a member into **S2P (formerly SERPS)** where they have received a refund of contributions.

D

Death Grant Nomination

A form which can be completed by you, to let us know who you would like to nominate to receive the lump sum death benefit to go to, if you die. Please note that if there is any dispute or doubt in respect of the death grant nomination form, we as the **Administering Authority** of the **TWPF** have absolute discretion to pay the lump sum to the personal representative(s) or relative/dependant.

Deferred Member

If you leave the **LGPS** with over 3 months membership (or have transferred in membership) before your pension benefits are due to be paid, you will become a deferred member. A deferred benefit is a pension benefit that is retained in the **LGPS** until it becomes payable or is transferred out of the Fund. Please note this was formerly known as a "Preserved Member".

Department for Communities and Local Government (DCLG)

The Local Government Pensions Division works to provide a secure, modernised statutory pension scheme for local government employees in England and Wales. The Division is responsible for policy development, the regulatory framework and statutory appeal arrangements for the **LGPS** in England and Wales, as well as advice on broader pension policy issues affecting the scheme (formerly known as Office of the Deputy Prime Minister (ODPM)).

Department for Work and Pensions (DWP)

The **DWP** is the Government department, which is responsible for a range of benefits and services for pensioners and people planning pensions.

E

Earmarking Order

An instruction from a judge, for former spouses/civil partners to share the pension rights which have been built up prior to a divorce. An Earmarking order allows pension benefits to be shared at the time of the original member's retirement.

Early Retirement

A member who retires before Normal Retirement Age and receives immediate retirement benefits. Please note that early retirement can be granted/claimed under various circumstances – some of which mean that benefits may be reduced due to early payment. Please contact the Pensions Helpline for further information.

Employing Authority

Your LGPS Employer is one of many Employing Authorities within the TWPF. Most of the rules within the LGPS are set and can only be changed by an Act of Parliament. However, there are some rules within the LGPS with discretions placed upon them. Discretions are powers that allow your employer or the Fund to choose how they will apply these rules. Rules with discretions clearly fall into the following two areas:

- Rules with Employers Discretion
- Rules with Administering Authority (Tyne and Wear Pension Fund) Discretion.

F

Final Pay

This is the figure used to calculate most of your pension benefits and is normally your **pensionable pay** in the last year before you retire, or one of the previous two years' **pensionable pay** if that amount is higher. For a part-time employee, the figure used is normally the **pensionable pay** you would have received if you had worked whole time. If your pay is reduced because of sickness, the final pay is taken to be the pay you would have received if you had not been sick. During any period of maternity, paternity or adoption leave in respect of which you pay (or are deemed to have paid) pension contributions, final pay includes the pay you would have received had you not been on maternity, paternity or adoption leave.

G

Graduated Pension

This was the forerunner of **SERPS**, which ceased prior to April 1980.

Guaranteed Minimum Pension (GMP)

As the **LGPS** was contracted out of the **SERPS** if you were a member of the **LGPS** between 6 April 1978 and 5 April 1997 the **LGPS** must pay you a guaranteed minimum amount of pension (**GMP**) based on the **SERPS** entitlement you would have earned if you had not been a member of the **LGPS** during this period.

H

Her Majesty's Revenue and Customs (HMRC)

HMRC is the Government department responsible for ensuring that everyone understands and receives what they are entitled to and understands and pays what they owe, so that everyone contributes to the UK's needs (formerly known as Inland Revenue).

I

Ill Health Retirement

When a member of the scheme is retired on medical grounds before the **Normal Retirement Age**.

J

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K

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L

Lifetime Allowance (LTA)

This is the total capital value of all pension benefits you can have without triggering an excess benefits tax charge. If the value of your pension benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, civil partner's or dependant's pension you may be entitled to) is more than the lifetime allowance, or more than any primary lifetime allowance protection, you will have to pay tax on the excess benefits unless you have enhanced protection. The lifetime allowance is set by the Treasury and for 2006/2007 is £1.5million.

Local Government Pension Scheme (LGPS)

The **LGPS** is set up by law, and benefit levels are set in legislation passed by Parliament. It is controlled by the **LGPS Regulations 1997**, which are made under the 1972 Superannuation Act. It is a contracted-out tax-free pension

scheme. It meets the requirements of both the **DWP** and **HMRC** as it provides benefits of at least the value of the state scheme and within limits set by Parliament.

M

Member

A person who is in a pension scheme, and will be entitled to benefits under those scheme rules.

Membership

The number of years and days you have been a member of the **LGPS**, plus any membership credited to you on transfer from a different scheme. It also includes any extra period of membership bought with additional contributions. For part time employees, it means the appropriate proportion of full-time membership.

N

National Fraud initiative (NFI)

The **NFI** is the Audit Commission's data exercise that is designed to help detect fraud from the public purse. The Fund participates in the **NFI** exercise by passing your pension information on to the Audit Commission.

If you are paid a pension from the **TWPF**, your pension information will be matched nationally to housing benefit and rent information to help to detect and prevent fraud. The Council's participation in the **NFI** exercise is mandatory and the Council is legally obliged to provide the relevant data.

Normal Retirement Age (NRA)

This is normally your 65th birthday (unless you have accrued membership as a councillor). See also '**The 85 Year Rule**'.

O

Occupational Pension Scheme

This is a pension scheme organised by an employer to provide pension benefits to employees upon leaving employment, retiring or death.

P

Part Time

You are part time if you work anything less than the number of hours your employer classes as standard full time hours.

Pensionable Pay

The pay on which you pay pension contributions.

Pension Sharing Order

An instruction from a judge, for former spouses/civil partners to share the pension rights which have been built up prior to a divorce. A Pension Sharing Order allows the pension benefits to be split into two parts immediately without needing to wait until retirement.

Protection (Enhanced/Primary)

These are protections for benefits earned up to 5 April 2006 in respect of those high earners affected by the introduction of the lifetime allowance from 6 April 2006.

Under HM Revenue and Customs rules, if the value of your pension benefits exceeds the **lifetime allowance** by 5 April 2006, you can register for primary protection so that you have an individual lifetime allowance based on how much your benefits at 5 April 2006 exceed the value of the standard lifetime allowance. **Your individual lifetime allowance increases at the same rate as the standard lifetime allowance.**

You can also register for enhanced protection if the value of your pension benefits exceeds the **lifetime allowance** by 5 April 2006, or if you believe they may do so in the future. Under enhanced protection you do not pay tax on benefits in excess of the **lifetime allowance** provided your benefits have not increased since 5 April 2006 beyond certain limits (in general terms, by more than the greater of 5% per annum, the rise in the Retail Price Index or increases in your pensionable pay). **If the limit is exceeded, you will pay tax on the excess.**

In both cases you have to register with HM Revenue and Customs by 5 April 2009.

Q

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R

Resolution Bodies

An employer who has the power to decide if an employee or group of employees can join the LGPS and pass a resolution accordingly.

Retail Prices Index (RPI)

This shows the changes in the cost of living. It reflects the movement of prices covering a range of goods and services over time. The amount by which pensions are increased annually is based on movement in the **RPI** during the 12 months up to September.

Retired Member

A retired member can be defined as:

- A member who has retired from active pensionable employment and is entitled to receive a pension from their date of retirement

- A deferred member who left pensionable employment before their normal retirement date but who now has reached pensionable age and is eligible to receive a pension
- A widow or widower who receives a pension through the death of a member of the scheme
- A child who receives a pension through the death of a member of the scheme or a nominated person who receives a pension on behalf of the child (e.g. parent, guardian etc).

S

STATE SECOND PENSION (S2P)

The State Second Pension (S2P) was introduced under the Child Support, Pensions and Social Security Act 2000 and came into being on 6 April 2002.

The **State Second Pension** is a replacement for **SERPS (State Earnings Related Pension Scheme)** as a second tier pension with revised National Insurance contracted out rebates (reductions) for members of the Local Government Pension Scheme as an Occupational Pension Scheme.

Scheduled Body

A body that must join the **LGPS**.

SERPS (State Earnings Related Pension Scheme)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. **LGPS** members were automatically contracted out of **SERPS**, and most paid lower national insurance contributions. **SERPS** was replaced by the **State Second Pension (S2P)** from 6 April 2002.

State Retirement Age (SRA)

The age that you can draw your state pension. Traditionally this is 65 for men and 60 for women, but from 2010 will change for women as shown in the table below, so that by 2020, the **SRA** will have been equalised at age 65.

Date of Birth	State Retirement Age
Before 6 th April 1950	60
6 th April 1950 – 5 th April 1951	Between 60 & 61
6 th April 1951 – 5 th April 1952	Between 61 & 62
6 th April 1952 – 5 th April 1953	Between 62 & 63
6 th April 1953 – 5 th April 1954	Between 63 & 64
6 th April 1954 – 5 th April 1955	Between 64 & 65
After 5 th April 1955	65

T

The 85 Year Rule

This applies only to members joining the **LGPS** before 1 October 2006. If your benefits are brought into payment before the age of 65, your pension and lump sum may be reduced if your age plus your potential membership to the date that payment is due, does not equal 85. This reduction does not apply if your benefits are brought into payment on the grounds of permanent ill health. Please note that from 1 April 2008 the rules of the LGPS are changing – this will impact on the rule of 85. Further information can be obtained from our website www.twpf.info or by telephoning the Pensions Helpline on 0191 424 4141.

The Pensions Advisory Service (TPAS)

TPAS is an independent non-profit organisation that provides information and guidance on all areas of the pensions industry. They also help any member of the public who has a problem, complaint or dispute with their occupational or private pension arrangement.

U

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V

Valuation

The **LGPS** Regulations require that a full valuation be carried out on the Fund every three years. The purpose of this is to ensure the Fund is able to meet its liabilities to past and present members. The valuation also ensures that Employers pay the correct contribution rates.

W

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X

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Y

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Z

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