



Some terms we use

Where pension terms are used, they appear in ***bold italic*** type.

Additional Voluntary Contributions (AVCs)

These are extra payments to increase your future benefits.

All local government pension funds have an in-house AVC scheme where you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admission Body

An admission body is an employer that chooses to participate in the Scheme under an admission agreement. These tend to be employers such as charities and contractors.

Cash Equivalent Value (CEV)

This is the cash value of your pension rights for the purposes of divorce or dissolution of a ***civil partnership***.

Civil Partnership

A Civil Partnership is a relationship between two people of the same sex (civil partners) which is formed when they register as civil partners of each other.

Contracted out

The LGPS was contracted out of the ***State Earnings Related Pension Scheme (SERPS)*** and is contracted out of the ***State Second Pension (S2P)***. This means that, prior to ***State pension age***, you pay reduced National Insurance contributions between the ***Lower and Upper Earnings Limits*** (unless you have opted to pay the married woman's/widow's reduced rate of National Insurance). The LGPS guarantees to pay you a ***Guaranteed Minimum Pension (GMP)*** for being contracted out of the ***State Earnings Related Pension Scheme (SERPS)*** and, for membership after 5 April 1997, the LGPS must meet a minimum Reference Scheme test prescribed under the Pensions Act 1995.

Designating Body

Designating bodies are bodies which can designate employees for access to the Scheme. This includes Town and Parish Councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service among others.

Discretion

This is the power given by the LGPS to enable your employer or your administering authority to choose how they will apply the Scheme in respect of certain provisions. Under the LGPS your employer or your administering authority are obliged to consider how to exercise their discretion and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their discretion. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a discretion. Your administering authority is Royal Borough of Kingston.

Eligible children

Eligible children are your children. They must, at the date of your death:

- be under 18 and be wholly or mainly dependent on you, or
- be aged 18 or over and under 23, be dependent on you, and be in full-time education or undertaking vocational training (although a dependant child who commences full-time education or vocational training after the date of your death may be treated as an eligible child up to age 23), or
- in some cases, a dependant child of any age who is disabled may be classed as an eligible child.

In all cases, the children must have been born before or within a year of your death.

Guaranteed Minimum Pension (GMP)

The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been **contracted out** of the **State Earnings Related Pension Scheme (SERPS)** at any time between 6 April 1978 and 5 April 1997. This is called the Guaranteed Minimum Pension (GMP).

Local Government

The term Local Government in this leaflet also covers Police and Fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an Academy, an Education Action Forum or a Further or Higher Education Corporation.

Lower Earnings Limit

This is the amount of pay that you can receive before you pay any National Insurance contributions. The Lower Earnings Limit for 2008/2009 is £90 per week or £390 per month. It is usually increased annually by Parliament.

Nominated co-habiting partner

To be able to nominate a co-habiting partner, of either opposite or same sex, to receive a survivor's pension on your death, your relationship has to meet certain conditions laid down by the LGPS. Information on these conditions, and how to make a nomination, are

set out in the leaflet on **Life cover – protection for your family**. You can get a form to make a nomination on our web pages, www.kingston.gov.uk/pensions .

Pay

The pay on which you normally pay pension contributions (gross pay before deductions) is your normal salary or wages plus any shift allowance, bonuses, contractual overtime, Maternity Pay, Paternity Pay, Adoption Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on any non-contractual overtime, travelling or subsistence allowances, pay in lieu of notice, pay in lieu of loss of holidays, any payment as an inducement not to leave before the payment is made, nor (apart from some historical cases) the monetary value of a car or pay received in lieu of a car.

Retail Price 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 the movement in the retail prices index during the 12 months to September.

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 as a result. SERPS was replaced by the **State Second Pension (S2P)** from 6 April 2002.

State pension age

This is the earliest age you can receive the state basic pension and is currently age 65 for men and 60 for women, but from 2010 will change for women as shown in the table below, so that by 2020 state pension age will have been equalised at age 65.

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

The State pension age will be increased further from 65 to 68 between 2024 and 2046.

State Second Pension (S2P)

The State Second Pension (formerly **SERPS**) is the additional state pension, payable from **State pension age** by the Department for Work and Pensions. Initially, S2P will be

an earnings-related pension but from April 2009 it begins building up as a flat rate pension, achieving full flat rate accrual by around 2030.

LGPS members are **contracted out** of S2P and most pay lower National Insurance contributions as a result. More information on the State Second Pension (S2P) is available from the DWP Pensions Service.

Transfer value

A transfer value is a cash sum representing the value of your pension rights.

Upper Earnings Limit

This is the amount of pay beyond which you cease to pay the full, contracted-out rate of National Insurance contributions. The Upper Earnings Limit for 2008/2009 is £770 per week or £3,337 per month. It is usually increased annually by Parliament. On earnings above the Upper Earnings Limit you only pay a 1% National Insurance contribution.

Employees in England and Wales – September 2008