

A GLOSSARY OF PENSIONS TERMINOLOGY

The purpose of this glossary is to explain as simply as possible a number of technical terms used in relation to **Occupational Pension Schemes**. It is not possible to cover all the terms used and you should ask your pension scheme trustees or administrators to explain anything that you do not understand. A separate glossary of terminology which tends to be particular to schemes in the State sector appears in Section B.

Throughout, any explanation which includes a term or phrase defined elsewhere in the glossaries appears in **bold type**.

A NOTE FROM PAUL KENNY

This Glossary originally appeared in *Understanding Pensions – the Friendly Guide to Pension Schemes*, published in 1994. The current version is a very much expanded edition of the original Glossary and is supplemented by a list of common abbreviations found in connection with pensions. In spite of the effort that is made to deal with pensions as far as possible in simple language, I find it useful to explain a lot of the technical terms used in the pensions industry. There are actually two glossaries. The first covers general terms applicable to occupational schemes. The second contains those particularly used in connection with schemes in the Public Sector, which are not often employed elsewhere. As far as possible, I have defined terms using wording that sticks closely to that used in the **PRAG / PMI** glossary, *PENSIONS TERMINOLOGY**, recognizing the desire of both bodies involved in its preparation to standardize pensions terminology as far as possible. I thank the Pensions Management Institute for permission to use copyright material from that book. Where terms are defined in Ireland by the Pensions Acts 1990 - 2002, the Family Law Acts or appropriate Regulations, these definitions are used instead, as this book is intended for use mainly in Ireland. Where there is no acceptable published definition of a term as it is used in Ireland, I have used my own.

**Pensions Terminology* – A Glossary for Pension Schemes; Sixth Edition. London, 2002, The Pensions Management Institute.

The Glossary

20% Director	See “ Twenty per cent director ”
Accrual Rate	The rate at which pension benefit is built up as pensionable service is completed in a defined benefit scheme . Often expressed as a fraction of pensionable salary , e.g., 1/60th for each year of service.
Accrued Benefits	The benefits for service up to a particular point in time, whether vested rights or not. These benefits may be calculated in relation to current earnings or projected earnings and allowance might also be made for any increases provided for by the scheme rules or by legislation. Sometimes known as <i>Accrued Rights</i> .
Active Member	A member of a pension scheme who is in reckonable service - i.e., currently in the employment to which the scheme relates, and who is included in the scheme for a pension benefit.
Actuarial Assumptions	In a defined benefit scheme the set of assumptions made by the actuary as to rates of return, inflation, increase in earnings, mortality, etc. which form the basis of an actuarial valuation or

	other actuarial calculation.
Actuarial Funding Certificate	A certificate required by the Funding Standard under the Pensions Act , stating that the scheme is capable of meeting specified liabilities in a statutory order of priority in the event of its being wound up on the date of the certificate.
Actuarial Reduction	A reduction made to the accrued benefits of a member to offset any extra cost arising from the payment of benefits before Normal Pension Age .
Actuarial Valuation	An investigation by the actuary into the ability of a pension scheme to meet its benefit promise. This is usually done to calculate the recommended contribution rate which takes account of the actuarial values of assets and liabilities of the fund. Such an investigation is also needed so that the actuary can complete a funding certificate .
Actuary	A professional adviser on financial matters involving the probabilities relating to mortality and other contingencies affecting pension scheme financing. The Pensions Act regulates who may function as actuary to a scheme. In the context of PRSAs , the Act also defines a PRSA Actuary, an actuary who must be employed or retained by a PRSA provider.
Added Years	In private sector schemes this means the provision of extra benefit by adding a period of pensionable service in a defined benefit scheme , arising from the payment into the scheme of a transfer value , the payment of additional voluntary contributions , or by way of augmentation . The term may have different meanings in the context of public sector schemes (see separate glossary).
Additional Voluntary Contributions (AVCs)	Contributions made by a member over and above his or her normal contributions, if any, in order to secure additional benefits. See Section 4.
Administrator	1. A person regarded by the Revenue Commissioners as responsible for the management of a pension scheme. 2. In a less formal sense it means the person or body which manages the day to day administration of the scheme. 3. Under the Pensions Ombudsman Regulations , the Administrator can include a great many person who provide services to a scheme, or who apply or interpret its rules.
Alternative Arrangement	One of the available methods of choosing member trustees under the Pensions Act regulations. Under this method, members are

asked to approve the employer's proposals for putting **member trustees** into place. If the members reject these proposals, an election under the **Standard Arrangement** takes place.

AMRF

Approved Minimum Retirement Fund

Annual Report

The **Pensions Act** requires the **trustees** of a pension scheme to communicate information about the scheme, its administration and its financial position on a regular basis. The content of the annual report is specified in the **disclosure regulations**. A shorter annual report may be issued for **defined benefit schemes** with fewer than 50 **active members** and for all **defined contribution schemes**.

Annuity

A series of payments made at stated intervals until a particular event - usually the death of the person receiving the annuity - occurs. It is normally secured by the payment of a single premium to an insurance company. It may remain level during payment, or increase to compensate in whole or in part for increases in the cost of living. It can be designed to be paid only to the individual annuitant for life, or may be paid on to a surviving dependant on the death of the annuitant.

Approved Minimum

Retirement Fund

An **Approved Retirement Fund** which is subject to restrictions on the drawdown of capital before age 75. Needed if an individual does not fulfil minimum income conditions.

Approved Retirement

Fund (ARF)

A fund managed by a **qualifying fund manager** in which a self-employed person or a **Proprietary Director** can invest the proceeds of a **retirement annuity** or an **occupational pension scheme** on retirement. Non-pensionable employees who hold retirement annuity contracts also qualify. See also **Approved Minimum Retirement Fund**.

Approved Scheme

An **occupational pension scheme** which is approved by the **Revenue Commissioners** under Chapter II Part I of the Finance Act 1972. See also **Exempt Approved Scheme**.

ARF

Approved Retirement Fund

Assets

The property, investments, debtors, cash and other items of which the **trustees** of a pension scheme are the legal owners.

Associated Employer

An employer whose connection with the Principal Employer sponsoring a pension scheme is sufficiently close, either through

	common shareholding or shared business interests, to be permitted by the Revenue Commissioners to participate in the pension scheme.
Atypical Employment	Employment which is other than fulltime and permanent; usually understood to embrace part-time, temporary, fixed-term contract and seasonal working.
Auditor	An individual or firm appointed to report on the accounts of a company or other entity (such as a pension scheme).
Augmentation	The improvement of benefits, either while still accruing or already in payment, typically where the cost of this provision is borne by the pension scheme itself and/or by the employer.
Authorised Trade Union	A Trade Union which has a negotiating licence under the Trade Union Acts and which represents members of the pension scheme.
Average Earnings Scheme	A scheme where the benefit accruing for each year of membership is related to pensionable earnings for that year. These schemes are not common.
Basis Point	One hundredth of one per cent (0.01%)
Benchmark	Target or measure against which performance will be judged – used to assess the performance of a fund or investment portfolio.
Beneficiary	A person who is entitled to benefit, or who will become entitled in specific circumstances (e.g. on the death of a member).
Benefit in Kind	Benefit given other than in cash which forms part of remuneration; if taxed under Schedule E, may be included for pension purposes.
Benefit Statement	A statement of the benefits payable in respect of an individual in certain circumstances, e.g., death, retirement, etc.
Bid-Offer Spread	In unit-linked investment contracts, the difference between the price at which units can be purchased (“Offer” price) and the price at which they can be sold back to the investment manager (“Bid” price) on any given day.
Bond	Certificate of debt issued by a company, a government or other institution. Bond holders are creditors of the issuer and interest is paid at the rate stated at the time of issue. The term “bond” is also used to describe a buyout policy. See Personal Retirement Bond
Book Reserve Scheme	Unfunded pension scheme which is accounted by a provision in the employer’s accounts. Common in some European countries.

Breach of Trust	Dealing with trust property by a trustee in a way which does not accord with the instrument creating the trust, or with the general law.
Bridging Pension	An additional pension paid between the date of retirement and some later date, when it will reduce or be discontinued. The most common type of bridging pension is paid in the interval between the date of retirement and the Social Welfare pension age, where Social Welfare benefits are taken into account in calculating the scheme pension, but members retire before these become payable.
Buy-Out	The purchase by the trustees of a pension scheme of an insurance policy or bond in the name of a member or other beneficiary following termination of service, retirement, or on winding up of a scheme. The bond is bought in substitution of the member's rights under the pension scheme. Under the Pensions Act , purchase of such a bond on leaving service may be at the option of the member or, in certain circumstances, at the option of the trustees .
Career Average Scheme	An alternative term for an Average Earnings Scheme .
Cash Option	An alternative term for commutation .
Closed scheme	A pension scheme that does not accept new members.
Certificate of Existence	A document confirming that a person entitled to a pension is still alive.
Commutation	An option given to a member to replace a series of future payments by an immediate lump sum. The exchange of pension for immediate cash is regulated by the Revenue Commissioners . See Section 5.
Commutation Factors	The mathematical factors used by the trustees to determine the amount of pension which needs to be given up in order to provide a given lump sum benefit.
Compulsory Purchase Annuity	An annuity that must be purchased on retirement for a member of an insured pension scheme or for the holder of a Personal Retirement Bond .
Concentration of Investment	Placing a significant proportion of the assets of a pension scheme in any single investment or category of investments. This is subject to disclosure under the Pensions Act and may also impact on the scheme's ability to meet the funding standard under the Act.
Contingent Benefit	Benefit whose payment depends on the happening of a particular

event - specifically used in the context of the **Family Law Acts** to mean benefits payable from a pension scheme on the death of a member during the employment or self-employment to which the scheme relates.

Contingent Interest	A right or entitlement which depends on some event that is not certain to occur (e.g., the death of a scheme member).
Continuation Option	A facility offered by an insurance company that insures the death benefits under a scheme, whereby a member leaving the scheme can effect a life policy without evidence of health. Such options are now becoming less common.
Contribution Holiday	A term used to describe a period under which employers' and/or members' contributions are suspended. This usually happens when the fund is in surplus .
Contributory Scheme	A scheme in which active members are required to make contributions towards the cost of their benefits.
Controlled Funding	A funding plan which has regard for the liabilities of a defined benefit scheme as a whole, rather than for those of individual members.
Co-ordination	See Glossary, Part B
Corporate Trustee	A company which acts as a trustee .
Cross-Border Scheme	A scheme established in one EU Member State, which is authorised as to operate as a cross-border scheme and to accept members and contributions from another EU State. This term is used in the Pensions Act to describe a scheme established in Ireland. See also Overseas Pension Scheme .
Deed	A written document, signed, sealed and delivered which records a legal transaction. If stamp duty is due on a deed and has not been paid, the deed cannot be enforced at law.
Deed of Adherence:	A deed admitting a new employer to participate in an existing scheme
Deed of Appointment	A legal document by which a trustee is appointed.
Default Investment Strategy	An automatic investment strategy to be applied under a PRSA contract unless the contributor indicates otherwise. The Default Investment Strategy is linked to general good practice for investment

	for retirement and certified by the PRSA actuary
Deferred Annuity	An annuity which commences from a future date.
Deferred Benefit	Any benefit whose payment is delayed, e.g., until a person reaches normal pension age . Most often used to refer to benefits which accrue to a scheme member on leaving service.
Deferred Pensioner	A person entitled to a pension payment at a future date. Normally this would be an early leaver but the term can also be used to describe someone whose retirement has been postponed.
Deferred Retirement	Another term for late retirement .
Defined Benefit Scheme	A scheme in which the pension and other benefits which will be paid to the members and/or their dependants are clearly stated in the rules of the scheme. Also known as a Final Salary Scheme .
Defined Contribution Scheme	Also known as a Money Purchase Scheme - a scheme where the individual member's benefit is determined solely by reference to the contributions paid into the scheme by or on behalf of that member and the investment return earned on those contributions.
Definitive Trust Deed	The detailed trust deed governing a pension scheme which contains details of all the trustees' powers. It is usually accompanied by the rules of the scheme.
Delegation	A trustee must generally carry out the terms of the trust himself, but the trust documents may permit him to employ agents such as investment managers and other advisers to carry out certain functions.
Dependant	A person who is financially dependent on a member or pensioner , or was so at the time of death or retirement of the member or pensioner . For Revenue purposes, a child of the member or pensioner may be regarded as dependent until he or she reaches the age of 18 or ceases to receive full time educational or vocational training if later. Under the Family Law Acts , children may be dependent up to age 23.
Derivatives	Generic term for financial instruments used to manage investment portfolios, such as financial futures and traded options.
Designated Benefit	A term used to describe the portion of a member spouse's pension expectations allocated by the Court to a non-member spouse or dependant by means of a pension adjustment order made under the terms of the Family Law Act, 1995 or of the Family Law

(Divorce) Act, 1996.

Determination	1. Decision of the Trustees or other Relevant Person in an Internal Disputes Resolution procedure. 2. Final and binding ruling of the Pensions Ombudsman in a complaint or dispute, subject to appeal to the High Court.
Directly Invested Scheme	A scheme whose assets are not invested exclusively in certain named categories of investment, such as insurance policies, cash, unit funds. Such schemes become subject to the Member Trustee regulations if they have more than 12 active members .
Disability Benefit	A benefit payable to an employee who is unable to work for medical reasons. This may be paid from a pension scheme as an ill-health early retirement benefit or it may be payable by the employer either directly or under the terms of an insurance policy or income continuance plan (which is not part of the pension scheme). A disability benefit can also arise under a voluntary disability insurance scheme, paid for in full by its members . Not to be confused with Social Welfare Disability Benefit.
Disclosure:	1. Requirements under the Disclosure Regulations . 2. Rules on information to be supplied by intermediaries and sales staff to purchasers of financial products, in relation to commission and other remuneration received by them.
Disclosure Regulations	Regulations issued under the Pensions Act requiring disclosure of information about pension schemes and their benefits to interested parties, including members, their beneficiaries and Trades Unions.
Discontinuance	Cessation of contribution payments to a scheme, leading to its becoming paid up, or with a view to its winding-up .
Discontinuance Valuation	Actuarial Valuation conducted on the basis that the scheme is to be discontinued.
Discretionary powers	Powers conferred on the trustees or on the employer by the trust deed and rules of a pension scheme whereby issues (for example, the destination of death benefits) can be determined at their discretion.
Discretionary Increase	An increase in benefits which is awarded on a discretionary basis, as against one to which the member is entitled under the rules. Can be ad-hoc or regular in nature.
Dispute Resolution	see Internal Disputes Resolution

Disregard	see Offset
Dynamised	Inflation-proofed; typically, in the expression, <i>dynamised final remuneration</i> it means final remuneration whose component parts have been adjusted for inflation before an average is calculated.
Early Leaver	A person who ceases to be an active member of a pension scheme, other than on death, without being granted an immediate retirement benefit .
Early Retirement	The retirement of a member with immediate benefits, before normal retirement date . The benefit may be reduced for early payment. See also Ill-Health Early Retirement .
Earmarked Contributions	In the context of the Family Law Acts , contributions paid by or for a person under a defined contribution scheme during a period specified by the Court.
Earnings Cap	Limit, initially €254,000 per annum, but indexed from 2007, on earnings from all sources for the purpose of calculating allowable tax relief on personal contributions to all forms of pension arrangements, including PRSAs . Separate or simultaneous employments or self-employment no longer generate separate allowances
Eligibility	The conditions which must be met for a person to be a member of a pension scheme or to receive a particular benefit. Eligibility conditions may include provisions relating to age, completion of service, status and type of employment.
Employer	The person or body with whom the member of a pension scheme has a contract of employment relevant to that scheme.
Endowment Assurance Policy	A policy which provides for a lump sum at a future maturity date or on earlier death.
Equal Access	Identical entry conditions for men and women. The Pensions Act requires this.
Equal Treatment	The principle requiring one sex to be treated no less favourably than the other, as embodied in EC Council Directive 86/378 and the Pensions Act (Part VII).
Escalation	A system whereby pensions in payment and/or preserved benefits

are increased regularly at a fixed or variable percentage rate. The percentage increase applied may be limited to the increase in a specified index. Escalation may be promised and paid for in advance of retirement, or may be granted on a discretionary basis after retirement takes place.

Exchange of Letters	A method of creating a pension scheme trust, in which a letter from the employer constitutes all or part of the documentation of an individual pension arrangement. A copy of the letter is signed by the employee to acknowledge its terms.
Excluded Employee	An employee who will not be eligible for membership of an occupational pension scheme within six months of joining service, and who must therefore be offered membership of a Standard PRSA .
Ex-Gratia Benefit	A benefit provided by the employer which it is not legally required to provide. Payment of such a benefit cannot be enforced by the member .
Exempt Approved Scheme	An approved scheme which is established under irrevocable trusts , giving rise to the tax relief allowed for in the Finance Acts.
Exempt Unit Trust	A unit trust specifically designed for pension schemes and charities, which receives the same tax treatment as a directly invested pension scheme.
Expression of Wish	See Wishes Letter .
Family Law Act	The Family Law Act of 1995, which, among other things, enables the Courts to allocate part of a member's pension entitlement under a scheme to the spouse who is not a member of the scheme in the course of judicial separation. In force from 1st August 1996 and applies to foreign divorces as well as judicial separation.
Family Law (Divorce) Act	The Family Law (Divorce) Act, 1996. As well as facilitating the redistribution of property, including pensions, between parties to a divorce action, this act contains the primary mechanism for the granting of decrees of divorce. In force from 27th February 1997.
FAS 87 and 88	US Financial Accounting Standards, dealing with the treatment of pension costs in employers' accounts. FAS 88 applies when schemes are wound up or when benefits are settled on termination of employment.
Final Pensionable	The pensionable earnings , at or near retirement or leaving

Earnings / Final Pensionable Salary	service, on which the pension is calculated. This may be fixed at a particular date or may be based on the average of a number of years.
Final Remuneration	The term used by the Revenue for the maximum amount of earnings which it will permit to be used for the purpose of calculating maximum approvable benefits . The permissible alternatives are set out fully in the Practice Notes issued by the Retirement Benefits District of the Revenue Commissioners .
Final Salary Scheme	See Defined Benefit Scheme.
Financial Services / Pensions Business Unit	A section of the Large Cases Division of the Revenue Commissioners charged with the approval and supervision of exempt approved pension schemes. Formerly called Retirement Benefits District
Flexible Benefits	A system of benefit provision in which employees are given a choice on the makeup of their total benefit package from an employer. Typically, under such a system, employees may choose how much of the money made available by the employer would be used for the provision of pensions, death benefits, disability health insurance, holidays, etc. Minimum limits may be laid down for certain benefits, either because they are specified by the scheme design or are made necessary by employment law or by Revenue practice . Often called, simply, "Flex".
Fluctuating Emoluments	Employee earnings not paid on a fixed basis, but additional to basic wage or salary. Includes bonuses, commissions, benefits in kind , share option gains.
Forfeiture of Benefits	Termination or suspension of all or part of the benefits under an occupational pension scheme. Forbidden in relation to preserved benefits by the Pensions Act , it can still happen in Public Sector schemes which are exempted from Part III of the Act.
Forgoing	An agreement in writing whereby the employee forgoes part of his/her future earnings in return for a corresponding payment by the employer into a pension scheme.
Free Cover	The maximum amount of death benefit which an insurance company covering a group of members for death benefits is prepared to insure for each individual, without production of evidence of health.
Frozen Benefit	A deferred benefit , strictly one which is not subject to revaluation .

Frozen Scheme	A scheme which provides benefits only for members whose service has terminated; or a scheme where continuing service in employment does not entitle members to accrue new pension benefits, and to which no new members are admitted.
Funded Scheme	A scheme whose benefit promises are backed by a fund of assets set aside and invested for the purpose of meeting the scheme's liability for benefit payments as they arise. Only funded schemes may receive transfer payments relating to preserved benefits under the Pensions Act .
Funding	The provision in advance for future benefit liabilities by setting aside money in a trust , which is separate from the employer's business, to finance the payment of pensions.
Funding Certificate	A certificate issued by the actuary under the funding standard provisions of the Pensions Act .
Funding level	The relationship, usually expressed as a percentage, between the actuarial value of a scheme's assets and its actuarial liability.
Funding Method	The approach used by an actuary in an actuarial valuation . A variety of methods can be used, but whatever method is employed should be adequately described in the valuation report.
Funding Plan	The agreed timing of contributions with the aim of meeting the cost of a given set of benefits in a defined benefit scheme .
Funding Proposal	A proposal required to be submitted to the Pensions Board by the Pensions Act in the case of a defined benefits scheme which fails to meet the Funding Standard . It is designed to ensure that the standard can be met over a specified period of time, and is agreed by the actuary , the trustees and the employer
Funding Rate	The rate at which contributions are payable to support the liability for benefits. Often used as shorthand for recommended contribution rate .
Funding Standard	Provisions under the Pensions Act , by which defined benefit schemes are subject to periodic actuarial valuation and completion of a funding certificate , to ensure that their scheme complies with what is termed the funding standard. This is designed to ensure that, at a minimum, the scheme has sufficient funds to secure specified pension rights which members have built up, if the scheme should have to be wound up at any stage. Schemes are usually wound up when the employer company goes out of business.

Group Policy	An insurance policy issued to cover more than one individual.
Guaranteed Annuity Option	A right to apply the proceeds of an insurance policy to purchase an annuity at a rate guaranteed in advance in the policy.
Guaranteed Payment Period	A period, most often 5 years, for which payment of a pension will be guaranteed by the scheme rules, whether the pensioner lives or dies.
Hancock Annuity	An annuity for an employee, former employee or dependant purchased at or after the employee's retirement, death or leaving service. It is called after a decided tax appeal, which allowed the full purchase price for tax purposes in the year of payment.
Hedge Fund	An investment fund that takes a higher than normal degree of risk, often using borrowed money, in the hope of achieving a high absolute return.
Hedging	A strategy aimed at reducing potential losses in an investment. An example would be a forward transaction in a currency at an agreed future price to protect against exchange rate fluctuations.
Hybrid Scheme	A scheme which combines features of two or more types of pension design – e.g., a defined benefits scheme with a defined contribution element.
IDR	see Internal Disputes Resolution .
Ill-Health Early Retirement	Retirement on medical grounds before normal retirement date . The benefit payable in these circumstances may be greater than that paid to a member retiring early in normal health.
Immediate Annuity	An annuity which commences immediately, or shortly after, it is purchased.
Incapacity	Inability to continue working due to ill health or disability. Its precise meaning in practice is determined by the rules of each separate scheme.
Income Continuance Plan	One of the terms for prolonged disability insurance .
Income Protection Plan	Another of the terms for prolonged disability insurance .
Indexation	The system under which pensions in payment (and possibly also

preserved benefits) are increased automatically at regular intervals by reference to the rate of increase in a specified index of prices or earnings.

Indirect Discrimination	A form of sex discrimination- usually unintentional - which is deemed to exist if conditions are applied to a group of workers which, though not expressly related to sex, are more likely to be met by one sex than the other.
Individual Arrangement	A pension scheme with only one member , whose documents relate only to that member .
Inflation Proofing	See Indexation and Escalation .
Institution for Occupational Pension Provision	See IORPs in the Abbreviations.
Insured Scheme	A pension scheme where the sole long term investment medium used by the trustees is an insurance policy (other than a managed fund policy).
Integration	The system of designing scheme benefits to take into account all or part of the benefits payable by the state under the social welfare arrangements. Known in public sector schemes as co-ordination .
Interim Trust Deed	A form of trust deed used to establish a pension scheme by stating its provisions in broad terms and promising to make the definitive deed and the rules at a later date.
Internal Disputes Resolution	Known as IDR, this is a requirement that a complaint or dispute must be subjected to a resolution process within the pension scheme or PRSA in which it arises, before it can be submitted to the Pensions Ombudsman .
Investment	The process by which contributions and net income of a scheme are used to increase the value of pension fund assets by means of cash deposits, the purchase and sale of equities, bonds , property and other assets as authorized by the trust deed and by law.
Investment Manager	The person or body to which the investment and management of all or part of the scheme assets is delegated by the trustees , subject to the provisions of the trust documents.
Investment Performance Measurement	Comparison of the rate of return on an investment portfolio and/or its

constituent parts with one or more of: (1) the notional return of a model fund; (2) actual rates of return on other funds; (3) movement in market indices, over a period or a range of periods.

Irrevocable Trust	A Trust which cannot be revoked or taken back by the employer who establishes it. Such trusts are required by the Revenue Commissioners in order to give tax free build up to the assets of the pension scheme. The trust has the effect of separating scheme assets from the assets of the employer , but tax free build up won't be given if there is a possibility that the employer could take back the assets .
Late Retirement	The retirement of a member with immediate payment of benefits, after normal pension date .
Letters of Administration	Authority given under the seal of the High Court to a person to realise the estate of someone who has died without making a will or, if there is a will, where there is no-one to act as executor.
Letters of Exchange	See Exchange of Letters
Liabilities	The obligations of a scheme to pay amounts of money either immediately or in the future. Liabilities whose payment is dependent on unpredictable future events (such as the death of a member) are called "contingent liabilities".
Life Assurance Scheme	A scheme which provides only a benefit payable on the death of a member .
Lifestyle Investments	An asset allocation strategy used mainly in defined contribution schemes, in which a member's investments are adjusted depending on age and term to retirement. Typically, assets are invested in equities for younger members and systematically switched to bonds and cash as retirement approaches.
Long Service Benefit	A term used under the Pensions Act to describe the benefit payable at or after normal pension age , assuming that the member remains in relevant employment until then. The term includes personal benefits in lump sum or pension form and any benefit payable to surviving dependants on death after retirement.
Managed Fund	An investment contract under which an insurance company offers participation in one or more funds consisting of a collection of pooled assets .
Mature Scheme	A defined benefit scheme in which the proportion of pensioners to

active members is high, so that contributions may be less than the outflow of benefit payments.

Maximum Approvable Benefit	The maximum benefit which the Revenue Commissioners will permit to be paid under an approved scheme to an individual, taking account of factors such as remuneration and service completed.
Member	A person who has been admitted to membership of a pension scheme and is entitled to benefits under the scheme. This will include active members, pensioners and deferred pensioners .
Member Spouse	For Family Law Act purposes, the spouse who is a member of the pension scheme in question.
Member Trustees	Trustees who are appointed by members or whose appointment by the employer has been approved by the scheme members in accordance with the regulations made under the Pensions Act .
Minimum Retirement Age	The earliest age at which pension scheme rules would allow a member to retire with an immediate pension, other than on grounds of ill health.
Money Purchase Scheme	Another name for a defined contribution scheme .
Money Purchase Underpin	An arrangement in a defined benefit scheme whereby a certain minimum benefit accrues on a defined contribution basis. Usually of benefit to early leavers .
Money Weighted Return	An absolute measure of the rate of return achieved on assets, which is affected by the timing of cash flows into and out of the fund. See also Time Weighted Return .
National Pensions Board	A Board established by the Minister for Social Welfare in 1986 to advise the Minister on pension matters. Not to be confused with the Pensions Board .
National Pensions Policy Initiative	NPPI (known as Nippy), this initiative was sponsored by the Department of Social, Community and Family Affairs and the Pensions Board, in the light of an ESRI report on pension coverage in 1997. The introduction of PRSAs was one outcome of the Board's 1998 report, <i>Securing Retirement Income</i> .
New Code	A term now practically in disuse to refer to the code of practice

relating to the approval of pension schemes by the **Revenue Commissioners** under the 1972 Finance Act.

Nomination	The naming by a member of a person or persons to whom he or she wishes any death benefit to be paid. This will usually not be binding on the trustees . Also called a wishes letter .
Non-Contributory Scheme	A pension scheme whose rules do not require any contribution from active members - i.e., the employer is liable for all contributions needed to support the scheme.
Non-member spouse	In the context of a Pensions Adjustment Order given under the Family Law Acts , the spouse who is not a member of the scheme in which an order is being sought.
Non-pensionable Employment	Employment in which an individual has no right to benefits from an occupational pension scheme other than lump sums and dependants' benefits payable on death in service.
Non-Standard PRSA	A PRSA that is approved by the Pensions Board but does not meet the investment criteria imposed on Standard PRSAs . Its charges are not capped.
Normal Pension Age / Normal Retirement Age	The age by reference to which the normal retirement date is determined. See also Normal Pensionable Age .
Normal Pension Date / Normal Retirement Date	The date at which a member of a pension scheme normally becomes entitled to receive retirement benefits. This date is the benchmark which determines early retirement and late retirement .
Normal Pensionable Age	This term has a specific meaning in the Pensions Act . It is the <i>later</i> of (a) age 60 and (b) the earliest date at which a member is allowed by the rules of the scheme to receive immediate retirement benefits on leaving service, <i>other than under an early retirement rule</i> .
Occupational Pension Scheme	This is formally defined in the Pensions Act as a scheme which is approved under the 1972 Finance Act, or the 1967 Income Tax Act, or whose approval has been applied for to the Revenue Commissioners . The term <i>Occupational Pension Scheme</i> is generally used to distinguish job related pension schemes from state Social Welfare schemes. A buyout bond is <i>not</i> an occupational pension scheme under the Pensions Act .
Offset	An amount of salary which is disregarded under the rules of a

scheme, to take account of a Social Welfare pension. See **Integration**.

One Member Arrangement

A scheme established for a single **member** which will always have only that one member, who has discretion over the investment of the scheme **assets**. A person who has been granted a **Pensions Adjustment Order** may be included in the scheme without breaching the one-member requirement. Schemes of this type are the only scheme now exempted from the general prohibition on borrowing for investment purposes.

Option

A **derivative** financial instrument under which payment of a sum of money gives the right, but not the obligation, to buy or sell something at an agreed price on or before a specified date.

Overlap

An arrangement under which a dependant's pension comes into immediate payment on the death of a pensioner, while a minimum guaranteed period of payment of the main pension is still running.

Overriding Legislation

The application of statutory requirements to pension schemes by means of provisions which expressly override the scheme rules. All the provisions of the Pensions Act and its Regulations are overriding legislation.

Overseas Pension Scheme

An **Institution for Occupational Retirement Provision (IORP)** which is set up in an EU Member State other than Ireland.

Paid Up Benefit

A benefit secured for an individual **member** under a contract of insurance whose premiums have ceased to be payable in respect of that **member**. One form of **deferred benefit**.

Paid Up Pension

See **Paid Up Benefit**

Paid Up Scheme

A scheme where no further contributions are being paid, but whose assets continue to be held by the trustees and applied under its rules.

Participating employer

An employer whose employees have a right to be members of a scheme. Used where schemes cater for more than one employer.

Passive Investment Management

A style of portfolio management that links the investments to a particular index, so that their value tracks changes in that index.

Past Service

Service before a given date - frequently used to indicate service before the **member's** entry into the **pension scheme**.

Past Service Benefit	A benefit granted in respect of past service .
Past Service Reserve	A term describing the present value of all benefits accrued to the date of the calculation, by reference to projected earnings.
Pension Fund	Strictly speaking, this is the assets of a pension scheme but the term is very often used for the scheme itself.
Pension Scheme	An arrangement, other than accident insurance, to provide pension and/or other benefits for members on leaving service or retirement and for the member's dependants in the event of death. In the Family Law Acts , the term is given a very broad definition, so that it includes, not only occupational pension schemes as defined in the Pensions Act , but also retirement annuities, buyout policies, PRSAs and unfunded schemes .
Pension Plan	Another term for pension scheme .
Pensionable Earnings / Pensionable Salary	The earnings on which benefits and/or contributions are calculated.
Pensionable Service	The period of service which is taken into account in calculating a pension benefit.
Pensioner Trustee	An individual with pensions experience approved by Revenue to act as trustee of a Small Self-Administered Scheme . Cannot be outvoted by other trustees on matters concerning the winding-up of the scheme.
Pensioner	A member who is currently receiving payment of a pension from a pension scheme .
Pensions Act	An Act of 1990 for the regulation of pension schemes , which provides for preservation of benefits, a funding standard in the case of defined benefit schemes , disclosure of information, equal treatment of men and women, the duties and responsibilities of trustees and a Pensions Board to supervise the operation of the Act. In the United Kingdom jurisdiction, the term refers to an Act of 1995 which contains many provisions similar, but not identical, to those of the Pensions Act 1990.
Pensions Adjustment Order	An order made to the trustees of a pension scheme by a Court in the course of a judicial separation or divorce action, or at any time after the making of a separation order or divorce decree, whereby the trustees must pay part of a member spouse's benefit, called a designated benefit , to the non-member spouse.

Pensions (Amendment) Act, 1996	An Act which introduced extensive amendments to the Pensions Act 1990, extended the powers of the Pensions Board and introduced " Whistle Blowing "
Pensions (Amendment) Act, 2002	An Act which extended the Pensions Act , increased preservation rights, introduced PRSAs and established the office of the Pensions Ombudsman .
Pensions Board	The statutory body set up under the Pensions Act to monitor and supervise the operation of the Pensions Act and pension developments generally, and to approve,, jointly with the Revenue Commissioners, PRSA products submitted to it.
Pensions Ombudsman	An officer appointed under the Pensions Act , to investigate and determine complaints or disputes involving occupational pension schemes and PRSAs , to award financial redress where appropriate, and to decide disputes of fact or law.
Permanent Health Insurance	One of the terms for prolonged disability insurance .
Perpetuities, Rule Against	A rule of trust law setting a maximum period within which the benefits in a trust must vest absolutely. Designed to prevent perpetual trusts. Removed as a condition for pension scheme trusts by the Pensions (Amendment) Act 1996.
Personal Fund Threshold	A higher limit on the lifetime value of permissible benefits, applied on a personal basis, where the accumulated value of an individual's pension benefits already exceeded €5,000,000 on 7 December 2005 and certain reporting requirements have been met. It is indexed from January 2007. see Standard Fund Threshold .
Personal Pension Scheme	An alternative method of individual pension provision available in the United Kingdom, but not in Ireland. The term is often used in Ireland to describe a retirement annuity contract.
Personal Representatives	An executor or administrator of the estate of a deceased person.
Personal Retirement Bond (PRB)	A single-premium insurance contract incorporating Revenue requirements as they apply to pension schemes, purchased to buy out a member's preserved benefit , either on leaving service or subsequently, or (most commonly) when a scheme is wound up.

PRBs are also used to transfer from a pension scheme the benefit allocated to a **non-member spouse** by a **Pensions Adjustment Order**.

Personal Retirement Savings Account	Familiarly known as a PRSA, this is a vehicle designed to be used for long-term retirement provision. It is a contract between an individual and a PRSA provider in the form of an account that holds units in investment funds managed by approved “PRSA providers”. The PRSA contributor is the owner of the PRSA assets – unlike an occupational pension scheme, there is no trustee in between. See Section 12.
Pooled Fund	A fund in which several investors hold units, whose assets are not held directly for each client, but as part of a “pool”. Unit Trusts and Managed Funds are pooled funds.
Practice Notes	Guidance Notes issued by the Revenue Commissioners describing their practice in approving pension scheme under the discretionary powers conferred by the Finance Act 1972, and the tax consequences of approval.
Preliminary Poll	A poll held under the member trustee regulations to determine whether members wish to appoint member trustees by means of the Standard Arrangement or accept an Alternative Arrangement offered by the employer.
Preservation	Describes the obligation which trustees have under the Pensions Act to retain benefits for scheme members who leave the employment and who satisfy certain conditions.
Preserved Benefits	This term is often used to describe any benefit emerging on termination of employment or of membership of a pension scheme , which is payable at a later date. Under the Pensions Act it has the specific meaning of that part of the benefits which must be preserved as a result of the operation of the Act.
Principal Employer	Commonly used in scheme documentation for the particular participating employer which is given special powers or duties in areas such as the appointment of trustees , rule amendments and winding up . Usually the employer that started the scheme or, in a scheme catering for many unrelated employers such as an industry-wide arrangement, one chosen as a proxy for all.
Priority Liabilities	Liabilities which are given precedence by the scheme rules in a winding up. Scheme rules are, however, overridden by the statutory priorities in Part IV of the Pensions Act .

Privately Invested Scheme	A description often applied to a self-administered scheme .
Probate	The proving of a person's will before a Court
Prolonged Disability Insurance	An insurance contract taken out by an employer and/or by an employee, designed to pay an income in the event of an employee becoming disabled long term. Benefits under these policies are usually paid after a minimum period of absence from work through illness or injury.
Proprietary Director	A person who, within 3 years of retirement, death or leaving service, held more than 5% of the voting shares in the employer or its parent company. Shares held by a spouse and minor children are counted, as are share held by a trust to which the director concerned had transferred shares. Proprietary Directors qualify to invest in ARFs on retirement.
Prospective Member	An employee in employment to which a scheme applies who will join or be entitled to join the scheme if he remains in the employment and there is no change either to his contract of employment or to the rules of the scheme.
PRSA	Personal Retirement Savings Account . See Section 12.
PRSA Actuary	See Actuary .
PRSA AVC	A PRSA designed to be used for Additional Voluntary Contributions by members of occupational pension schemes .
Public Authority Pension Scheme	A statutory scheme or a scheme where benefits are paid for in whole or in part from Central funds or moneys voted by the Oireachtas, and which provide for an appeal to a Minister for the resolution of disputes prior to referral to the Pensions Ombudsman.
Public Sector Pension Scheme	An occupational pension scheme for employees of central or Local Government, statutory and other semi-state bodies. Many of these schemes are not funded.
Purchased Life Annuity	An annuity purchased privately by an individual member is different from the type of annuity purchased by pension scheme trustees , which are often described as "compulsory" annuities. In accordance with legislation, part of the instalment payments of a purchased life annuity are exempt from income tax.

Qualified Member	In relation to the member trustee selection process, an active member or a pensioner (but not a deferred pensioner or a dependant or other beneficiary receiving payments from the scheme.)
Qualifying Fund Manager (QFM)	A financial institution authorized under the 1999 Finance Act to operate Approved Retirement Funds (ARFs) on behalf of the self-employed and proprietary directors . Includes: banks, building societies, credit unions, the Post office Savings Bank, bodies authorized for collective investments such as unit trusts, UCITs, etc., and members of the Irish or any EU Stock Exchange who have notified the Revenue commissioners of their intention to act as QFMs.
Qualifying Service	A term defined in the Pensions Act as the service to be taken into account to entitle a pension scheme member to preserved benefits on leaving service. Currently it is five years' reckonable service, including any period represented by a transfer value paid in from another pension scheme .
Rate of Return	The percentage change in the value of an investment over a period, taking into account the income from it and the change in its market value – often expressed as an equivalent annual rate. See Time weighted , Money weighted and Real returns.
Real Rate of Return	The difference between the rate of return and a selected measure of inflation (often taken as CPI) over a period.
Reckonable Service	The whole period of a member's service (whether fulltime or part-time) in relevant employment while a member of the scheme, but excluding service when the member was covered for death benefit only, or when the member has been notified by the trustees that a period of service does not entitle him to a retirement benefit. Service added or credited to the member, but not actually served, does not count. This term does not necessarily include all of pensionable service , which can take into account service completed before the member joins the scheme.
Recommended Contribution Rate	The contribution rate recommended by the actuary as being necessary to support the benefit promises made under the scheme.
Relevant Employment	Employment to which a scheme applies.
Relevant Percentage	The proportion of the member spouse's retirement benefits earned during the relevant period , as the court orders to be paid to a

dependent spouse or children under a **pensions adjustment order**.
[Family Law]

Relevant Period	The period to be taken into account, as specified by the court, during which the member spouse's retirement benefits were earned, for the purpose of calculating the designated benefit . [Family Law]
Relevant Person	1. In relation to any scheme, for the purposes of the rules on whistleblowing , relevant persons are the trustees, actuary, auditor, administrator, insurer, investment manager and anyone employed by such persons. Legal advisers are excluded. 2. For the purposes of the Pensions Ombudsman regulations, the relevant person in relation to a scheme is the trustee/s of the scheme; or the Minister, in a Public Authority Scheme ; and, in relation to a PRSA , the PRSA Provider .
Reporting, Compulsory	The Pensions Act requires that certain relevant persons providing services to a scheme should report to the Pensions Board any material misappropriation or fraudulent conversion of the assets of a scheme. There are penalties for failure to report as required. This process is also known as "whistle blowing".
Reporting, Voluntary	The facility open to anyone to report to the Pensions Board on any matter concerning "the state and conduct" of a scheme. Anyone who does so in good faith is protected by the Pensions Act against legal action for defamation.
Retained Benefits	A term used by the Revenue Commissioners to denote retirement or death benefits in respect of the earlier service of an employee with a former employer or an earlier period of self-employment. These may have to be taken into account in computing maximum approvable benefits . (See Section 5).
Retirement Annuity	A contract effected with an insurance company under Sections 235 / 235A of the Income Tax Act 1967. Applicable to the self-employed and to persons in non-pensionable employment. Sometimes called a personal pension . (See Section 9).
Retirement Benefits District	The branch of the Revenue Commissioners which supervises the benefit and contribution structure of pension schemes granted approval under the 1972 Finance Act.
Revaluation	The application to preserved benefits of compulsory increases in their value prior to the date of payment. Revaluation is mandatory in defined benefit schemes under the Pensions Act . This term is often used also to describe any similar non-compulsory increases.
Revenue Commissioners	The organisation charged by Government with the collection of tax

revenue and which, through the **Retirement Benefits District**, monitors the operation of **pension schemes** which are granted tax approval.

Revenue Limits	Limits which must be included in the rules of a scheme submitted to the Revenue Commissioners for approval under Chapter II Part 1 Finance Act, 1972. These specify the maximum approvable benefits and contributions for members.
Revenue Pensions Manual	The current version of the Practice Notes
Revenue Practice	See Practice Notes
Risk	Variability of investment returns. Investments with a greater degree of risk built in must offer higher returns to attract investors.
Risk Benefits	Benefits payable in the event of death or disability, which are not pre-funded. These risks are often insured.
Risk Premium	The extra yield of an investment over the “risk-free” rate, demanded by investors to compensate them for taking the higher risk.
Rules	The detailed provisions of a pension scheme , usually set out in a formal way and given authority by the trust deed . They normally accompany the definitive deed .
Salary Sacrifice	See Forgoing .
Scheme Year	A period selected by the trustees of a scheme for purposes of the annual report and accounts. It may be any year beginning on (a) a date specified in the scheme documents; (b) 1 January; (c) such other date as may be agreed between the trustees and the Pensions Board. It can be more than a year in certain circumstances, but can never exceed 23 months.
Section 50 Order	An instruction given to the trustees of a scheme by the Pensions Board , pursuant to Section 50 of the Pensions Act , to reduce the promised benefits under the scheme so that the Funding Standard can be met.
Segregated Fund	Scheme assets invested by an external investment manager, independently of other funds under its control. Often used to indicate an individual portfolio of stocks and shares in contrast to a pooled fund .
Self-Administered	A pension scheme where the assets are invested, (other than

Scheme	wholly by payment of insurance premiums by the trustees), through an in-house manager or an external investment manager . The term is not used to indicate the method by which benefits and contributions are administered, but is now almost exclusively used to refer to the way in which the investments are managed.
Self-Investment	The investment of a scheme's assets in the business of the employer or that of an associated company, or loans made to such bodies out of the pension scheme's assets . Regulated under both disclosure and minimum funding standards provisions of the Pensions Act .
Settlor	In the context of trusts, the person who starts, or “settles” the trust. The principal employer in a pension scheme trust.
Small Scheme	In the context of the Pensions Act , a defined benefits scheme with fewer than 100 members in total, counting both active and deferred .
Small Self-Administered Scheme	See Section 8.
Socially Responsible Investment	Investment strategies or restrictions that take account of the social, environmental or other impacts that a company’s activities can have on individuals and on the environment.
Special Contribution	Any employer or employee contribution not regarded by Revenue as an ordinary annual contribution.
Sponsoring Employer	See Principal Employer .
Standard Arrangement	One of the available methods of choosing member trustees under the Pensions Act regulations. It involves an election under the proportional representation system. See also Alternative Arrangement .
Standard Fund Threshold	An overall maximum lifetime allowance expressed as a capital sum, being a limit on the total capital value of pension benefits that an individual can draw down in their lifetime from tax-relieved pension products, where those benefits come into payment for the first time on or after 7 December 2005. The limit is €5,000,000 and is indexed from January 2007.
Standard PRSA	a PRSA approved as a Standard PRSA by the Pensions Board, which means that it complies with certain investment requirements and that the charges it makes to contributors are capped at levels prescribed

by law. See Section 12.

State Pension Age	The age from which pensions are normally payable by the Social Welfare scheme, currently 65 (Retirement Pension) or 66 (Old Age Pension) for both men and women.
Stock Lending	A process by which stock is released to a third party for a fixed or an open period, in return for collateral and a fee for doing so. Normally a short-term transaction.
Stock selection	The continuous process of selecting which stocks are to be included in a portfolio.
Strict 60ths/80ths	Benefit scales of 1/60 and 3/80 of final remuneration per year of service for pension and cash respectively. Can usually be provided under Revenue rules without reference to retained benefits .
Supplementary Scheme	A scheme to provide benefits over and above the benefits given under another scheme. Also called a Top-up Scheme. In the UK, may often refer to an unapproved scheme.
Surplus	In a defined benefit scheme , any excess of the value of a scheme's assets over its liabilities as calculated by the actuary to the scheme. Sometimes referred to as an "actuarial surplus".
Surrender Value	In an insurance contract, the available value of the benefits being funded, when the contract is terminated before its projected maturity date.
Target Benefit Scheme	A form of defined contribution scheme which aims for, but does not guarantee, a particular level of benefit. Commonly, contributions paid to such schemes are reviewed at regular intervals and adjusted to take account of factors such as pay increases and investment returns in the period between reviews.
Temporary annuity	An annuity payable for a fixed term or until earlier death. Also called a Term Annuity
Term Assurance Policy	A policy which provides a lump sum on death before a fixed future date. Such policies are frequently used for the provision of lump sum benefits payable on death in service.
Time Weighted Return	A relative measure of the rate of return earned by assets, independent of the timing of cash flows in and out of the fund. See Money Weighted Return .
Top Hat Scheme	A scheme designed to provide benefits in excess of those provided

by an employer's main pension scheme. Membership of such schemes is usually confined to senior executives or directors.

Top-up Scheme	See Supplementary Scheme .
Transfer Payment	A payment made from one pension scheme to another, or to an insurance company to purchase a buy-out policy , in lieu of the benefits which have accrued to the member under the scheme. In this form, it specifically refers to transfers made under the preservation requirements of the Pensions Act . Other payments from one scheme to another are usually called <i>transfer values</i> .
Transfer Value	See transfer payment .
Trivial Pension	A pension which is so small that it can be subject to full commutation without prejudicing the approval of the scheme by the Revenue Commissioners . The present triviality limit is €30 per annum.
Trust	A legal concept under which property is held by one or more persons (the trustees) for the benefit of other persons (the beneficiaries) for the purposes specified by the person setting up the trust. The trustees may be beneficiaries .
Trust Deed	A legal document, executed in the form of a Deed, which establishes, regulates or amends a trust . See Definitive Trust Deed .
Trust Law	Law which consists of a number of statutory provisions dating back to the Trustee Act, 1893, and principles of equity which have evolved over the centuries in cases decided in the Courts.
Trustee	An individual or a company which, alone or jointly, becomes the legal owner of property to be administered for the benefit of someone else (the beneficiaries), in accordance with provisions of the document creating the trust and the provisions of trust law generally and the Pensions Act . Certain schemes, mainly in the public sector, are not set up under trust. In these cases, the Pensions Act includes the administrators of the schemes in its definition of Trustees.
Twenty per cent Director	A proprietary director who, with other specified connected persons, owns or controls more than 20% of the voting shares of the employer or its parent. The benefits that can be provided to 20% directors are somewhat restricted by the Revenue Commissioners .
Unapproved Scheme	An Occupational Pension Scheme not designed to be approved by the

Revenue Commissioners. Such schemes are not controlled by the **Pensions Act**.

Unfunded Scheme	A scheme under which advance financial provision for the payment of benefits is not normally made. Instead the cost of pensions is met from the employer's current income in the same way as the salaries and wages of employees. The term may also be used to describe a scheme where funds are set aside to provide for benefit payments only at the time of a person's retirement.
Uniform Accrual	A principle applied to calculate a member's accrued benefits , in cases where the potential service of the member exceeds the period required to "earn" maximum benefits under the scheme rules . Thus, if the scheme benefit was 30/45ths of salary and the member could serve 35 years, he would be deemed to have earned 1/35 th of the maximum benefit in each year of service. This principle underlies preservation of benefits under the Pensions Act .
Unit Linked Investment	Arrangements whereby the contributions paid by the investor purchase units, the price of which fluctuates according to the value of the underlying investment portfolio. Except in a Unit Trust , the investor may not acquire a beneficial interest in the assets themselves – unit-linked insurance contracts, for instance, are a balance sheet liability of the insurer.
Unit Trust	A trust created by deed, setting up a scheme whereby an investor can spread his risk among a wide range of investments. Investment is done by buying units in the trust, which gives the investor a beneficial interest in the underlying investments.
Uplifted 60 ^{ths} / 80ths	Scales set out in Revenue Practice Notes expressed as more than 1/60 th or 3/80 ^{th of final} remuneration per year of service, for pension and cash respectively. See Strict 60ths/80ths .
Valid Request	The trigger which starts the process of selecting member trustees under the Pensions Act Regulations.
Valuation Basis	A term commonly used by actuaries to mean the method used by them to value the assets and liabilities of the scheme and the actuarial assumptions which they use in this valuation.
Venture Capital	Funds put up by investors to finance new or growing businesses.
Vested Rights	This has different meanings for different people. For active members , benefits to which they would unconditionally be entitled on leaving service, which may or may not include statutory rights to preserved benefits ;

For **deferred pensioners** who have already left the employment, their **deferred/ preserved benefits**;
For **pensioners**, the pension which they are receiving; including, where appropriate, the related benefits for spouses and other **beneficiaries**

Volatility	The frequency and magnitude of price changes of assets.
"Whistle Blowing"	A term for voluntary or compulsory reporting to the Pensions Board as provided under Sections 83 and 84 of the Pensions Act . See entries under Reporting .
Wishes Letter	See nomination .
Winding Up	The process of terminating a pension scheme, usually by applying the assets to the purchase of immediate and deferred annuities or by transferring the assets and liabilities to another pension scheme in accordance with scheme documentation.
Withholding Tax	Tax deducted from overseas investment income. May be reclaimable.
With Profits Policy	An insurance policy under which a share of surpluses disclosed by actuarial valuations of the insurance company's life and pensions business is payable as an addition to guaranteed benefits or as a reduction in future premiums.

A GLOSSARY OF PENSION SCHEME TERMINOLOGY

Section B : PUBLIC SECTOR SCHEMES

Terms are defined in this section either because they are not in general use in private sector occupational schemes, or because the use of the terminology differs substantially between the private and public sectors.

Abatement

1. A system under which the **gratuity** payable on retirement or death is reduced by an amount calculated by reference to the period during which a person has not contributed to a **spouses' and children's pension scheme**. Abatement is made even in respect of service before the introduction of such schemes, when it would not have been possible to contribute to them. In practice, abatement at retirement age is treated as a special contribution and relieved from tax. 2. The term “abatement” is also used to describe a reduction in the pension of a public servant who becomes re-employed in the public service after his pension has commenced – he cannot receive more than the equivalent of a full-time salary from both sources combined.

Added Years

This term has a number of different contexts in the public sector:-

(i) It is sometimes used to indicate **augmentation** of benefits. In general in the public sector, enhancement of benefits without cost to the individual **member** is discouraged but there are limited powers to do it. Such **augmentation** is usually effected by adding a number of **notional** years of service to the individual's entitlement.

(ii) In the case of early retirement due to ill-health, and sometimes on redundancy, enhancement of an individual's actual service credit by the addition of notional years of service is provided for by **regulations**.

(iii) In cases of **members** whose service to pension age will be short, facilities exist whereby **members** can purchase additional benefits for themselves, either by lump sum purchase, or by regular annual contributions from salary. Whichever way this is done, such enhancement of benefit is also calculated by the addition of **notional** years of service.

(iv) Professional Added Years - see **Professional Service** below.

Co-Ordination

A term used in the public sector to indicate that the benefits payable under the Social Welfare system are taken into account in the **Occupational Pension Scheme**. See **Integration** in the general Glossary. Co-ordination is generally required as a matter of policy

where Social Welfare retirement benefits are payable. However, the calculation of the **gratuity** payable on retirement or death is not normally affected by co-ordination.

Gratuity	A tax free lump sum payment, payable at pension age or on death, which may be subject to abatement . See also short service gratuity and marriage gratuity .
Injury Warrant	In very limited circumstances a pension may be payable to a person who is forced to retire because of injury suffered in the performance of official duties. The amount of the pension, which is payable in addition to other superannuation entitlements, depends on the degree of impairment caused by the injury.
"Knock for Knock"	See transfer options .
Marriage Gratuity	A gratuity formerly paid to a woman who was obliged to leave service as a result of marriage. Now generally in disuse.
Net Pensionable Pay	Pensionable remuneration , less twice the annual rate of the maximum Contributory Old Age Pension payable under the Social welfare system to a person with no dependants, calculated on the last day of service. See Co-ordination
"New Entrant"	For pension purposes there are two types of new entrant to public sector employment: (1) those whose employment commenced on or after 6 th April 1995, whose benefits are in general " co-ordinated " with Social Welfare pensions; and (2) those who become public servants* on or after Thursday 1 April 2004, whose minimum retirement age is, with some exceptions, age 65..
Notional Service	Years and days of pensionable service added to what is actually completed, for the purpose of calculating pension entitlements. Usually used to describe the service added in the case of professional/technical/specialist grades. See also Added Years .
"Operative Date"	In the context of Transfer Networks, the agreed date on which transfer of service between any two participants is automatic. Generally, the later of the dates on which either of two bodies joined the relevant

* Public service employment includes for this purpose: **the Civil Service, Local Authorities, the Permanent Defence Force, the Garda Síochána, the education sector, the health sector and non-commercial State sponsored bodies. It also includes those newly elected to the Oireachtas**

network. See “**pre-operative date service**”.

Pay Parity	A term used to describe the system of increasing pensions in payment and deferred pensions in line with the pay for the post held by the scheme member before retirement or leaving service, as appropriate.
Pay-as-you-go	Often abbreviated to PAYG, this is the method of financing pension promises out of the current income of the employer, there being no advance funding of the pension liabilities. It is used for Social Welfare schemes and for many (though not all) public sector occupational schemes. See Unfunded Scheme .
Pensionable Remuneration	The sum of Pensionable Salary and other emoluments (averaged over three years) that are deemed to be pensionable; less, in the case of those appointed on or after 6 th April 1995, appropriate deductions in respect of Social welfare entitlements (see Co-ordination and Net pensionable pay).
Pensionable Salary	Generally, the annualised salary of a public servant on his last day of service. Special calculations apply to job sharers, and averaging over 3 years applies in the case of promotion or special pay increases within 3 years of retirement.
Pensionable Service	All service reckonable under the local Government (Superannuation Act) 1956, the Superannuation & Pensions Act 1963 and any amendment or re-enactment of these can be included in pensionable service. Pensionable service does not have to be continuous. See Reckonable Service .
“Pre-Operative Date Service”	In the context of transfer networks, service whose transfer is not automatic, as the member left the service of one participating body before the operative date applying to transfers between the two participating organizations.
Professional Service	A form of " added years " awarded in cases where a job specification requires a professional qualification. This service is added to actual service in order to compute eventual pension entitlement and is designed to recognise the time taken to gain the relevant professional qualification.
Public Authority Pension Scheme	A statutory scheme or a scheme where benefits are paid for in whole or in part from Central funds or moneys voted by the Oireachtas, and which provide for an appeal to a Minister for the resolution of disputes.

Purchase of Notional Service	See Added Years .
Reckonable Service	This is the sum of: service actually completed with the employer, service transferred from other bodies, added years (on death, ill-health, reorganization or abolition of office, professional service and purchased service). Part-time and job-sharing service is included, but most unpaid leave is not. Service is reckoned in years and days.
Regulations	These govern almost every scheme in the public sector and are usually introduced by the Minister in the sponsoring Department and require the consent of the Minister for Finance. They are broadly similar throughout the public sector. Entitlement to benefits under the schemes flows from the regulations. If these permit the setting up of funded arrangements, the funding must be done under an exempt approved scheme established in the same way as any private sector scheme and subject to the normal approval requirements of the 1972 Finance Act.
Short Service Gratuity	A gratuity paid to a person on leaving service, where the length of pensionable service is insufficient to qualify the individual for a preserved benefit .
Spouses' and Children's Pension Scheme	A scheme usually separate from the main superannuation scheme in a public sector body, designed to supplement the superannuation scheme and to provide only pensions payable to spouses and children of deceased members. The pensions are payable on death before, or after, retirement. Such schemes are almost always contributory. When these schemes were first introduced, entry was voluntary but became compulsory for subsequent entrants to service.
Statutory Scheme	A scheme whose operation is governed either by an Act of the Oireachtas or by Regulations made under a Statutory Instrument in pursuance of such an Act.
Supplementary Pension	An additional pension payable to a pensioner who does not qualify, or qualify in full, for a State pension, in schemes where superannuation benefits are co-ordinated with State pensions. It may be temporary (e.g., until the pensioner reaches State pension age), or permanent (where the pensioner is entitled for some reason to a reduced State pension).
Transfer Network	There are two networks in the public service under which the pensionable service given in participating bodies can be transferred in full to any other participating body. The two networks involved are the Public Service Transfer Network (1979) and the Local Government (Transfer of Service) Scheme 1984.

Bodies wishing to be designated for the purpose of transfer under both networks must apply separately to the appropriate bodies - the Departments of Finance and Environment & Local Government respectively.

Transfer Options	Participating bodies have available to them a number of methods of dealing with transfers. They are all subject to the agreement of the old and new employers in each case. They are described in Section 7.
Uniform Accrual	See general Glossary for Occupational Pension Schemes. This principle is used to convert service transferred between schemes with different accrual rates under the Transfer Networks .
Up-Rating	This is the practice of increasing the value of a benefit or contribution so that it keeps pace with any changes made in the pensionable pay appropriate to the job which the person holds or held at a particular time. Up-rating can apply to deferred benefits , refunds of contributions which become repayable on re-entry to service and to marriage gratuities which are repaid on reinstatement to membership of the scheme.