

LGPS 2014 - Glossary

50/50 Option	The ability for contributing members of the LGPS 2014 scheme to pay half their employee contribution rate in return for half accrual rate
Accrual rate	The proportion of pensionable pay that each year of membership adds to your pension – effectively the speed at which your pension builds up
Actuarial reduction	The amount an LGPS pension is reduced if it is taken before an individual's Normal Pension Age
Actuarial enhancement	The amount an LGPS pension is increased if it is taken after an individual's normal pension age.
Added pension	As in the LGPS 2008, LGPS 2014 members will be able to purchase added pension in blocks of £250, payable at the appropriate pension age
CARE	Career Average of Revalued Earnings. An alternative type of defined benefit pension scheme to a final salary scheme
CPI	Consumer Prices Index. This is the current measure of inflation that the government has decided to use to ensure benefits from LGPS 1997, 2008 and 2014 keep pace with increases in the cost of living.
Deferred pension	Pension built up by members who leave before retirement
Defined benefit	An occupational pension scheme that determines how much pension you will get by reference to a set formula, rather than the performance of investments and cost of annuities
Final salary	A type of defined benefit pension scheme in which your pension is largely determined by your salary at retirement
Gross contribution rate	The percentage of pensionable pay which is deducted before any account is taken of tax relief on pension contributions
HMRC	Her Majesty's Revenue and Customs (formerly the Inland Revenue)
LGPS 1997	The Local Government Pension Scheme in operation prior to April 2008

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LGPS 2008	The Local Government Pension Scheme in operation from April 2008 to the present.
LGPS 2014	The Local Government Pension Scheme due to be introduced from April 2014
Net contribution rate	The percentage of pensionable pay which is deducted after account is taken of tax relief on pension contributions. The amount of tax relief will depend on the individual members' circumstances.
Normal Pension Age	The age at which the scheme will pay your benefits without actuarial reduction or enhancement as of right
Pensionable pay	The pay used to calculate employee contributions and benefits
Pensionable service	The period of membership used to calculate benefits
Revaluation rate	The index by which pension built up each year is increased in order to retain its value
RPI	Retail Prices Index. This is the measure that was used prior to April 2011 for increases to pensions in payment and deferment. This has been replaced by CPI.
Rule of 85	A provision in the LGPS 1997 that enabled some members with long service who retire below 65 to have their pension unreduced. This has been phased out, but some members have protected service under the transitional protection arrangements made in 2006
State Pension Age	The age at which, based on your date of birth, your state pension becomes payable
Tax relief	Pension contributions are deducted from your earnings before tax. This is known as pension tax relief.
Trading pension	The ability for members to swap £1 of annual pension for £12 of cash lump sum up to a maximum allowed by HMRC
Vesting Period	The vesting period is the window of service when members can get a refund on their contributions if they leave the scheme instead of having a small deferred pension in the scheme until retirement

Workstream 1	That part of the LGPS 2014 project which considers proposals for scheme design
Workstream 2	That part of the LGPS 2014 project which considers proposals for future scheme cost management and governance

