

Pension glossary

Adjusted Income	Annual income before tax plus the value of your own and any employer pension contributions
Annual Allowance (AA)	The maximum you can save into a pension each year and obtain tax relief on the contribution. Can be reduced if the Money Purchase Annual Allowance (MPAA) has been triggered or you have a Tapered Annual Allowance
Annuity	Income product bought with the proceeds of your pension fund. The basis of the annuity such as structure of the income, how long the annuity will last etc are agreed at the point the product is taken out.
Benefit Crystallisation Event (BCE)	Events set out by legislation where your pension benefits should be tested against the Lifetime Allowance
Career Average Scheme	Salary used to calculate benefits at retirement is an average across your career. Also see: Defined Benefit and Final Salary Scheme
Carry Forward	Utilising unused Annual Allowance from the preceding three tax years
Crystallised Funds	Pension fund where benefits have been taken i.e., a benefit crystallisation event has taken place. Also see: Uncrystallised Funds
Defined Benefit	Pays an income based on your salary and how long you worked for an employer. Income is normally guaranteed and will increase based on scheme rules.
Defined Contribution	Where you build up a pot of money through contributions and investment growth. Benefits will depend on how much of a pension pot you have accumulated and are not guaranteed.
Drawdown pension	Income taken from a pension which continues to remain invested.
Final Salary Scheme	The salary used to calculate benefits at retirement is how much you were paid at the point of retirement Also see: Defined Benefit and Career Average Scheme
Guaranteed Annuity Rate (GAR)	Some pensions have a guaranteed level of income built into them.
Lifetime Allowance (LTA)	Highest value your pension can be without paying tax. Your pension fund will be tested against the Lifetime Allowance when you draw benefits/trigger a Benefit Crystallisation Event . This is due to be abolished on 6 April 2024.

Pension glossary (continued)

Money Purchase Annual Allowance (MPAA)	When you access your benefits 'flexibly' you trigger the Money Purchase Annual Allowance (MPAA); this works in the same way as the Annual Allowance but is set much lower
Money Purchase Pension	See: Defined Contribution
Open Market Option	You do not need to take benefits from the provider you held your pension with, moving your pension to another provider is known as taking the 'Open Market Option'
Pension Commencement Lump Sum (PCLS)	25% of your pension fund taken as a tax-free lump sum
Tapered Annual Allowance	Your Annual Allowance is tapered down when your adjusted income is over £260,000.
Tax-Free Cash (TFC)	Old name for Pension Commencement Lump Sum (PCLS) which is still used as an alternative name.
Uncrystallised Funds	Pension fund where benefits have not been taken yet. Also see: Crystallised Funds
Uncrystallised Funds Pension Lump Sum (UFPLS)	Option to take your pension as a single lump sum or series of regular lump sums of which 25% will be tax-free and 75% will be taxable.