

Automatic enrolment and pensions language guide

Build a better future

2 Introduction

As automatic enrolment approaches there's a big opportunity for us to work together to help people understand why pensions are so important. We know that people find pensions too complicated to understand and that the jargon we are all guilty of using puts them off saving. I am calling on the industry to work with us to make pensions jargon free and easy to understand – so that people don't turn away from pension saving at the first hurdle.

We are issuing this guide to help provide simple, consistent language about a very complex subject. It builds on work done by NEST, the Pensions Regulator, the Association of British Insurers, The Pensions Advisory Service and the Money Advice Service, to help people understand pensions. We will be adding more terms to the guide in the future.

We would like to thank everyone who has worked on this with us, and we welcome your feedback and suggestions for any terms that you feel should be explained in later versions. Thanks to everyone who has provided comments and suggestions so far.

A handwritten signature in black ink, appearing to read 'Steve Webb', written in a cursive style.

Steve Webb
Minister for Pensions

How the guide works

The language guide is in two parts:

Part 1: Automatic enrolment terms. This uses findings from research commissioned by DWP into automatic enrolment information for workers¹.

Part 2: Wider pensions terms. This builds on NEST's phrasebook and existing best practice.

Our recommendations for using terms when communicating with individuals are broken down into the following categories:

- **Use the term** as it is, without change or explanation.
- **Use a new term** and our recommended replacement term is provided.
- The term can be used but must be **defined the first time you use it** and possibly more than once if it is a long communication. Our recommended definition is provided.
- **Some terms should be avoided** and we give you an alternative approach.

For automatic enrolment terms, we have given guidance on using the terms and some practical examples, including definitions for use in communications to employers.

Key principles for developing information

Automatic enrolment information can have an important, long-lasting impact. It can establish confidence and encourage people to plan and save for their future. Through our research¹ we have developed seven key principles for developing and presenting information on automatic enrolment to individuals. These are summarised below.

Principle and desired worker response	Information checklist
<p>1. Feeling in control</p> <p><i>"This is being done to help me, but I can make choices if I want to."</i></p>	<p><i>Key messages are:</i></p> <ul style="list-style-type: none"> • You have choices – you can opt out now or in the future. • You will have your own pension pot and can make choices about it if you want to (but you don't have to).
<p>2. What's in it for me?</p> <p><i>"I have a clear idea of why it's worth doing this."</i></p>	<p><i>Key messages are:</i></p> <ul style="list-style-type: none"> • You are not the only one paying in – your employer contributes and you get tax relief. • It's easy for you to get started and begin saving for your retirement. • You may be able to get personalised information from the start about the money paid into your pension pot. • You can get pension estimates and use calculator tools from the start.
<p>3. Make it relevant</p> <p><i>"This is for me."</i></p>	<p><i>Key messages are:</i></p> <ul style="list-style-type: none"> • The full basic State Pension is £113.10 a week. You will probably want more. • For most people, doing something is better than doing nothing. • It's hardly ever too early or too late to do something. • Build peace of mind for the future.
<p>4. Clarity of roles</p> <p><i>"I know who to go to for what information. I know where my questions will be answered."</i></p>	<p><i>Key messages are:</i></p> <ul style="list-style-type: none"> • It's a government change and every employer is doing it. • The government has put basic information and help in one place, and it's easy to find and use.

Principle and desired worker response	Information checklist
	<p><i>Key recommendations are:</i></p> <ul style="list-style-type: none"> • Keep the number of people and organisations providing information to a minimum. • Make it easy for workers if they need to go to more than one place for information or help. Make sure the different parties involved know each others' roles and contact details.
<p>5. Overcome barriers</p> <p><i>"I had questions and anxieties about this, but they have been answered and I feel reassured."</i></p>	<p><i>Key messages are:</i></p> <ul style="list-style-type: none"> • Pensions are a long-term investment – they usually produce better returns than savings accounts. • Having a pension doesn't rule out other ways of saving. • Pensions are now better protected in a number of ways. • This does not replace or affect entitlement to the State Pension. • The money is not lost if you move jobs or die before you retire.
<p>6. Accessible presentation</p> <p><i>"This feels manageable. I can find the information I need and skip what's not relevant to me."</i></p>	<p><i>Key recommendations are:</i></p> <ul style="list-style-type: none"> • Organise information to meet the needs of the reader. • Start with general information and then become more specific. • Organise the text into manageable chunks. • Use diagrams, case studies, FAQs, tools and images. • Make it easy for readers to find the information they are looking for.
<p>7. Establish baseline knowledge and confidence</p> <p><i>"I understand the basic concepts and language."</i></p>	<p><i>Key recommendations are:</i></p> <ul style="list-style-type: none"> • Use a factual tone. • Establish the basic concepts before going into detail. • Use simple, straightforward language, and use key terms consistently across all communications. • Use technical terms only if you have to, and give a simple explanation of what the term means.

6 Introduction

A consistent illustration

In research, individuals responded well to consistent use of diagrams to help them grasp the concept of workplace pensions quickly, such as the illustration below.



The figures in this illustration are based on: the worker getting a monthly pensionable pay of £1,000; a 4% contribution from the worker; a 3% contribution from the employer and 1% in tax relief.

Important: the government has set minimum levels for what has to be paid in by the employer and what is paid in altogether. In this example, the employer is contributing more than the minimum. This means that someone with a pensionable pay of £1,000 a month may receive less from their employer than shown here.

Automatic enrolment visual identity

The automatic enrolment visual identity has been created to be used on a wide variety of communications. It will be used by a variety of organisations to identify when automatic enrolment into workplace pensions is being discussed. It will also distinguish from communications on other forms of pensions or savings.



To obtain the visual identity, you will need to register on the following site: <https://communicationcentre.dwp.gov.uk>

Feedback on this guide

If you have any queries or suggestions on this guide, please email: pensionslanguage@dwp.gsi.gov.uk

For more information on enrolling into a workplace pension go to: www.gov.uk/workplacepensions

Part 1: Automatic enrolment terms

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Automatic enrolment	✔	✘	➖	✔	<p>In research, ‘auto-enrol’ did not test as well as the full term ‘automatic enrolment’. The use of ‘automatic’ highlights the key benefit that people don’t have to do anything. ‘Enrolment’ was also found to have positive associations, for example people linked it with enrolling on a course or at a college.</p> <p>We use the noun ‘automatic enrolment’ when communicating with employers or the financial sector. However, we keep the use of it to a minimum when communicating to individuals. Instead we explain the concept (see the definition below) or use the verb (see example below). This tested well in research.</p> <p><i>Definition: The government has introduced a new law designed to help people save more for their retirement. It requires all employers to enrol their workers into a workplace pension scheme if they are not already in one.</i></p> <div data-bbox="667 1098 2190 1201" style="background-color: #4a397b; color: white; padding: 10px; text-align: center;"> <p>Example: You are therefore being automatically enrolled into a workplace pension scheme.....</p> </div> <p>Another important consideration is making sure that people feel they are in control of what is happening. Sometimes the term ‘automatically enrolled’ can lead people to question what is ‘being done to them’.</p> <p>To help people understand that they are in control, the term should only be used sparingly in communications to individuals.</p>

8 Part 1: Automatic enrolment terms

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Automatic enrolment date	✔	✘	–	✔	When communicating to individuals we use the term ‘automatic enrolment date’ only where absolutely necessary and only having explained the concept first. Example: You become a member of the pension scheme on Monday 5 November (your automatic enrolment date).
Automatic enrolment scheme	✘	✘	–	✘	We don’t use this term when communicating to individuals. Instead we refer to a ‘workplace pension scheme’ or describe the scheme itself. Example: The workplace pension scheme is chosen by the employer for workers who are being automatically enrolled.
Automatic re-enrolment	✘	✔	Enrol you back in	✘	NEST research found people did not like the term ‘re-enrolment’. They preferred ‘enrol you back in’, which they found easier to understand. DWP research found that it’s important to let people know they are able to opt out again if they are automatically enrolled back in. When this wasn’t made clear it created a feeling that automatic enrolment is being done to them and people weren’t in control. Example: Anyone who opts out or stops making payments will be automatically enrolled back into the pension scheme at a later date (usually every three years). This is because your circumstances may have changed and it may be the right time for you to start saving. You can opt out if it’s still not right for you.

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
					<u>Definition for use with employers:</u> <i>Employers have to automatically enrol all workers who have opted out or have left the scheme (as long as they are eligible) every three years after the original staging date. The employer can do this on any date during the three months before the anniversary of the staging date, or during the three months after.</i>
Default fund	✘	✘	➖	✘	We recommend that the term default fund is not used. Research showed people didn't understand it. They were also suspicious and thought it must be an inferior option. We have therefore produced wording that does not use the term but explains the concept in a way that gives the reader the feeling that they have options.
<p>Example: With some workplace pension schemes, you may be able to make decisions about how your money is invested. But you don't have to – all pension providers have to offer a fund that meets the needs of most people and this is where your money will be automatically invested.</p>					
Eligible worker	✘	✔	A worker eligible for automatic enrolment	✔	When communicating to individuals, we have avoided using 'eligible worker'. Instead we explain who is going to be automatically enrolled. <u>Definition:</u> <i>Employers have to automatically enrol workers who:</i> <ul style="list-style-type: none"> • <i>are not already in a workplace pension scheme</i> • <i>are aged 22 or over</i> • <i>are under State Pension age</i> • <i>earn more than £10,000 a year (this figure may change each April) and</i> • <i>work, or usually work, in the UK.</i>

10 Part 1: Automatic enrolment terms

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
					<p><u>The Pensions Regulator’s language for use with employers:</u></p> <p>Please note: The Pensions Regulator calls workers who meet the above conditions ‘eligible jobholders’.</p> <p>Workers who are under 22, are State Pension age or over, or earn less than £10,000 but over £5,772 a year are called ‘non-eligible jobholders’.</p> <p>Workers who earn less than £5,772 a year are called ‘entitled workers’.</p>
Free money	✘	✔	Tax relief	✘	Do not refer to either tax relief or the employer’s contribution as ‘free money’. See Tax relief .
Jobholder	✘	✔	Worker	✘	We use ‘worker’ as a general term for people working for an employer. When explaining automatic enrolment we do not use the terms ‘employee’, ‘jobholder’ or ‘staff’. This is because these terms have specific definitions in some contexts, which are not always relevant to automatic enrolment.
Joining window	✘	✘	–	✘	<p>We avoid ‘joining window’ when communicating to individuals. We recommend explaining it when using it with employers and the financial sector.</p> <p><u>Definition for use with employers:</u> <i>A period of one month beginning on the date a worker becomes eligible for automatic enrolment. During this period the employer must enrol the worker into a qualifying pension scheme and provide information about the scheme, including how to opt out.</i></p> <p>More information if needed: <i>The joining window is triggered when a worker turns 22, earns over £10,000 a year (this figure may change each April), or when the employer’s staging date is reached.</i></p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Opt in	✔	✘	⊖	✘	Some individuals who will not be automatically enrolled are able to opt in. Research shows people understand the term opt in. Example: Company A is enrolling workers into the workplace pension scheme in November 2012. As you will be under 22 years old in that month, you will not become a member of the scheme automatically. However, you have the right to join the pension scheme if you want. If you would like to opt into the scheme, please send...
Opt out	✔	✘	⊖	✘	Research has found people understand the term opt out. Research has also shown people want to know up front that they are able to opt out if they want. This helps them feel in control and prevents them from feeling they are being made to do something they don't want to. Example: You can choose to opt out of the pension if you want to... If you want to opt out of the pension scheme, you must...

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Pension pot	✔	✘	-	✘	<p>Can be used when describing saving into a Defined Contribution pension scheme. (Not to be used when referring to a Defined Benefit pension scheme.) Particularly useful when talking about the amounts of money going into the pension.</p> <div data-bbox="633 547 2188 651" style="background-color: #4a2c7a; color: white; padding: 5px; margin: 10px 0;"> <p>Example: Although you put in £40 a month, the total contribution to your pension pot will be £80 a month.</p> </div> <p>During research we used pension pot to refer to the pension scheme the worker is being automatically enrolled into. The term was understood by workers.</p> <p>In research, people responded well to the use of a diagram to illustrate this. See page 6.</p> <p>Can be used instead of Retirement pot as long as the meaning of it is clear the first time it is used and it is used consistently. Our research found workers understand that ‘pension pot’ and ‘retirement pot’ mean the same thing, but we recommend using one or the other throughout any piece of communication. Switching between the two in a single piece of communication could be confusing.</p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Phasing	✘	✘	-	✘	<p>The government has set minimums for the percentages that have to be paid into a workplace pension, both by the employer and in total. (See Qualifying earnings for more information on what these minimum percentages apply to.) ‘Phasing’ is the gradual increase in these minimum percentages. We avoid the term ‘phasing’ when communicating to individuals. Instead we explain the concept. Research found that giving too much detail, such as the exact percentages of phasing, caused confusion.</p> <p><i>Alternative definition: The government has set a minimum amount of money that has to be put into the pension by your employer and in total. This minimum is starting low and will go up gradually over a number of years.</i></p> <p>People were interested to hear that there are minimums and wanted to know if their workplace pension scheme met or exceeded those minimums, but didn’t find the actual percentages helpful.</p> <p>If you need to explain the minimum percentages, we found that tables were the best way of doing this. The two sets of minimums (the total percentage that has to go into a pension, and the contribution from the employer) should be explained separately and shown in different tables. When they were in one table some people misunderstood and started to add them up, not realising the employer contribution is part of the total contribution.</p>

Example: The government has set a minimum percentage that has to be contributed in total (this is your contribution, your employer’s contribution and the tax relief added together) - this will increase over the next few years. Within that total, the government has also set a minimum percentage that has to be contributed by your employer. This will also increase over the next few years.

When using the term ‘phasing’ with employers it should be explained the first time it is used.

14 Part 1: Automatic enrolment terms

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Postponement	✔	✘	-	✔	<p>We explain the term ‘postponement’ when communicating to individuals. We also recommend defining it when using it with employers.</p> <p><u>Definition:</u> <i>Employers can choose to delay the automatic enrolment date of an individual for up to three months – this is sometimes called ‘postponement’. If your employer does this, you can join your workplace pension during the ‘postponement’ period if you want to.</i></p> <p>More detail if needed for employers: <i>Employers can postpone the automatic enrolment date of an individual for up to three months. An employer can postpone from one of three dates:</i></p> <ul style="list-style-type: none"> – the employer’s staging date – the date a new worker joins the organisation <p>or</p> <ul style="list-style-type: none"> – the date on which an existing worker becomes eligible for automatic enrolment (for example, they turn 22 or earn more than £10,000 a year).
Qualifying earnings	✔	✘	-	✔	<p>‘Qualifying earnings’ are the earnings that the minimum percentages set by the government apply to. (See Phasing for more information on the minimum percentages.) When communicating to individuals we explain what it means.</p> <div data-bbox="631 1070 2186 1358" style="background-color: #4a4a8a; color: white; padding: 10px;"> <p>Example: The government has set a minimum percentage that has to be contributed by your employer, and a minimum percentage that has to be contributed in total. These percentages do not apply to all your earnings. They apply to what you earn over a minimum amount (currently £5,772), up to a maximum amount (currently £41,865). This is sometimes called ‘qualifying earnings’. So for example, for someone who earns £18,000 a year, the minimum percentage is worked out on the difference between £18,000 and £5,772, which is £12,228.</p> </div> <p><u>Definition for use with employers:</u> <i>Qualifying earnings are your worker’s earnings in a year between £5,772 and £41,865. The government’s new minimums apply to ‘qualifying earnings’, not total earnings.</i></p>

Please note these earnings figures may change each April.

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Qualifying scheme	✗	✓	Meets the government's new standards	✗	<p>We avoid 'qualifying scheme' when communicating with individuals. Instead, we use the phrase 'meets the government's new standards'.</p> <p>Example: If you're already in a pension at work and it meets the government's new standards, this will not affect you.</p> <p>If you need to use the phrase 'qualifying scheme', explain what it means immediately afterwards.</p> <p>Example: I confirm the scheme is a qualifying pension scheme, which means it meets or exceeds the government's new standards.</p> <p>The minimum percentages (that have to be contributed to a workplace pension) are part of the government's new standards.</p>
Retirement pot	✓	✗	–	✗	<p>Can be used when describing saving into a Defined Contribution pension scheme. (Not to be used when referring to a Defined Benefit pension scheme.) See Pension pot.</p> <p>Can be used instead of Pension pot as long as the meaning of it is clear the first time it is used and it is used consistently. Our research found workers understand that 'pension pot' and 'retirement pot' mean the same thing, but we recommend using one or the other throughout any piece of communication. Switching between the two in a single piece of communication could be confusing.</p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Staging	✘	✘	—	✘	<p>We avoid the term ‘staging’ when communicating with individuals and instead use:</p> <p>Employers need to enrol their staff into a workplace pension. This will start with very large employers in late 2012 and early 2013, followed by other employers over several years. The smallest employers (those with fewer than 50 workers) will be last.</p>
<p>Example: When you will be enrolled depends on the size of the organisation you work for. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow some time after this, over several years. The smallest employers (those with fewer than 50 workers) will be last. Your employer will give you the exact date nearer the time.</p>					
Staging date	✘	✘	—	✘	<p>As above for Staging, we avoid using the term staging date with individuals.</p> <p><u>Definition for use with employers:</u> <i>All employers need to enrol their workers into a workplace pension. When you have to do it depends on the size of your organisation. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow some time after this, over several years. The smallest employers (those with fewer than 50 workers) will be last. The Pensions Regulator will write to you with your exact date nearer the time.</i></p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Tax relief	✔	✘	-	✔	<p>Our research shows that ‘tax relief’ is not a well-understood concept and it needs to be described.</p> <p><i>Definition: Tax relief means some of your money that would have gone to the government as tax, goes into your pension instead.</i></p> <p>Avoid referring to it as free money. NEST research shows people do not like tax relief or the employer’s contribution being ‘sold’ to them as free money. It makes them suspicious – ‘<i>What’s the catch? Is it really free money?</i>’ Also for some people the fact that they are getting less money in their monthly pay, because they are paying into their pension, overcomes any feeling of getting free money.</p> <div data-bbox="633 799 2186 975" style="background-color: #4a397b; color: white; padding: 10px;"> <p>Example: The government takes tax from your earnings. You can see this on your payslip. Tax relief means some of your money that would have gone to the government as tax now goes into your pension instead.</p> </div> <p>We use sample figures to help us emphasise tax relief as one of the benefits of being in a workplace pension. Our research found that giving figures in short, simple sentences made it clear to people they would not be the only one putting into their pension, and they could see the advantage of that for themselves. Our research also found that ideally, the figures should be the actual ones for that person, but if this is not possible then sample figures are an acceptable alternative.</p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
			<p>Case study:</p> <p>John earns £12,000 a year (£1,000 a month). This is called his 'gross basic salary' before tax comes off - 'basic' means not including overtime or bonuses. He is paid monthly.</p> <p>His employer's pension scheme uses the following percentages to work out how much is paid into John's pension:</p> <ul style="list-style-type: none"> • John's contribution - he pays in – four percent of his gross basic salary • his employer's contribution – an amount equal to three percent of John's gross basic salary • the government's contribution in the form of tax relief - an amount equal to one percent of John's gross basic salary. <p>This means:</p> <ul style="list-style-type: none"> • John pays in £40 a month – this is taken directly from his monthly pay • his employer pays in £30 a month • the government, in the form of tax relief, pays in £10 a month. <p>Therefore, although John puts in £40 a month, the total contribution to his pension is £80 a month.</p> <p>The government has set minimum levels for what has to be paid in by your employer and what is contributed altogether.</p>		
					<p>You can see more information on these minimum levels by going to: www.gov.uk/workplacepensions</p>

Term	Use term	Use new term	New term	Define on first use	Guidance on use and examples
Waiting period	✗	✓	Postponement	✗	Alternative phrase for 'postponement'. See 'Postponement' .
Worker	✓	✗	–	✗	<p>We use 'worker' as a general term for people working for an employer. When explaining automatic enrolment we do not use 'employee', 'jobholder' or 'staff'. This is because these terms have specific definitions in some contexts, which are not always relevant to automatic enrolment.</p> <p>Example: The government has introduced a new law designed to help people save more for their retirement. It requires all employers to enrol their workers into a workplace pension scheme if they are not already in one.</p>
Workplace pension	✓	✗	–	✗	<p>For consistency and to cover all types of pension at work, we use 'workplace pension' rather than 'occupational pension', 'company pension' or 'work-based' pension. In research the term 'workplace pension' tested well. It was seen as simple and easy to understand.</p> <p>Example: The government has introduced a new law designed to help people save more for their retirement. It requires all employers to enrol their workers into a workplace pension scheme if they are not already in one.</p>

Part 2: Wider pensions terms

Term	Use term	Use new term	New term	Define on first use	Definition/Notes
Accumulation	✗	✓	Building your pension pot	✗	
Additional State Pension	✓	✗	–	✓	The additional State Pension is the ‘earnings-related’ part of the State Pension. The amount you get depends on your earnings, and the National Insurance contributions paid, during the whole of your working life.
Administration	✓	✗	–	✗	
Annual allowance	✓	✗	–	✓	You don’t pay income tax on the money you pay into your pension. However, there is a limit on how much tax-free money you can build up in your pension in any one year. This limit is set by the government and is called the ‘annual allowance’.
Annual benefit statement (benefit statement)	✗	✓	Annual statement	✗	
Annuity	✓	✓	Retirement income	✓	Information providers need to look at the context carefully when using the term ‘retirement income’. As an annuity is <i>one</i> form of retirement income, in some contexts you may need to add ‘you may also see this called an annuity’. In other contexts, it may be appropriate to use the term ‘annuity’ and say that this is just one form of retirement income. When defining the term use: ‘ <i>An annuity is a type of retirement income which provides you with a regular payment, usually for life. In most Defined Contribution schemes you would use your pension pot to buy an annuity. There are different types of annuity for you to choose from, and usually you can shop around to choose which provider you want to buy it from.</i> ’

Term	Use term	Use new term	New term	Define on first use	Definition
Assessing options	✗	✓	Shopping around	✓	It is helpful to explain that there are 3 stages to shopping around for a retirement income. These are: <ol style="list-style-type: none"> 1. deciding the right time to retire 2. choosing the most suitable type of retirement income for your circumstances 3. shopping around for different providers to see which provider you want to buy your retirement income (annuity) from, as the rates will vary.
Asset allocation	✗	✓	The make up of your fund	✗	
Asset classes	✗	✓	Different types of investment	✗	
Assumptions	✓	✗	–	✗	
Benefit Crystallisation Event	✗	–	–		This phrase should not be used unless specifically needed, and it should always be followed by a definition. This is when the pension scheme member takes benefits from their fund – usually when they buy a retirement income.
Bond	✓	✗	–	✓	A loan, usually to a government or company. The borrowed money is paid back at an agreed date with interest.
Capital	✗	✓	The value you've built up	✗	Capital is another way of describing the amount of money in your pension pot. It means the total amount you have built up, for example from your contributions, your employer's contributions, the government by way of tax relief, and how well the investments made by the pension scheme have done. See also the definition of Investment .

22 Part 2: Wider pensions terms

Term	Use term	Use new term	New term	Define on first use	Definition
Certify	✔	✘	–	✘	
Company pension	✘	✔	Workplace pension	✘	For consistency, we use ‘workplace pension’ rather than ‘occupational pension’, ‘company pension’ or ‘work-based’ pension. In research the term ‘workplace pension’ tested well. It was seen as simple and easy to understand. However, if a detailed explanation of a particular scheme is required you may have to use the term ‘company pension’.
Consumer Price Index	✔	✘	–	✔	One of the ways used to measure how much prices change. It measures the change in the cost of a ‘basket’ of products and services, including energy, food and transport. It includes rent, but not some other housing costs. The way it is worked out is different from the Retail Price Index .
Contracted out	✔	✘	–	✔	Employers can decide that they would like their Defined Benefit pension scheme to contract out of the additional State Pension. If they do this, it will apply to all members of the scheme. The employer’s scheme must meet certain minimum standards which are broadly similar to the additional State Pension. The member pays lower National Insurance contributions in return for having given up some or all of their additional State Pension. If needed: From 6 April 2012, it is not possible for an individual to contract out of the additional State Pension if they are saving in a Defined Contribution pension scheme.
Contribution rate	✘	✔	The amount you contribute OR the percentage you contribute	✘	
Contribution structures	✘	✔	Different ways you can make payments	✘	

Term	Use term	Use new term	New term	Define on first use	Definition
Criteria	✓	✗	–	✗	
Decumulation	✗	✓	Taking a retirement income from your pension pot	✗	
Deferred pension	✓	✗	–	✓	A pension in a scheme you have left, which you can claim when you reach the scheme's normal pension age. This definition does not apply to State Pension deferral. Please see the definition for State Pension deferral .
Defined Benefit or Salary related pension	✗	✓	Defined Benefit pension scheme	✓	Examples include 'final salary' or 'career average' earnings-related pension schemes. The amount you get at retirement is based on a number of things. These could include your earnings and how long you have been a member of the pension scheme. In most schemes, when you retire you can take some of your pension as a tax-free cash lump sum. The rest you get as a regular income, on which you might pay tax.
Defined Contribution or money purchase pension scheme	✗	✓	Defined Contribution pension scheme	✓	Your pension pot is put into various types of investments, such as shares (shares are a stake in a company). The amount in your pension pot at retirement is based on how much has been paid in and how well the investments have performed. Normally, when you retire, you can take some of your pension pot as a tax-free cash lump sum. You use the rest to buy yourself an income, on which you might pay tax. These are also known as 'money purchase' schemes.
Diversification	✗	✓	The spread of your money across a range of different investments	✗	

24 Part 2: Wider pensions terms

Term	Use term	Use new term	New term	Define on first use	Definition
Employee	✗	✓	Worker	✗	
Enhanced life annuity	✗	✓	An annuity based on your health	✓	A type of retirement income, also called an annuity, which may pay you a higher regular retirement income if your life expectancy could be shortened because of your lifestyle (for example if you smoke) or your medical history.
Escalating pension	✗	✓	Increasing retirement income	✓	Your retirement income goes up each year by an agreed percentage.
Estate	✓	✗	–	✓	Your estate is everything you own, and the savings you have, when you die. In some circumstances, this might include your pension pot.
Estimate	✓	✗	–	✗	
Fiduciary responsibility	✗	✓	Legal duty to act in members' interests	✗	
Final salary pension	✗	✓	Defined Benefit pension scheme	✓	See the definition for Defined Benefit pension scheme .
Financial product	✓	✗	–	✗	
Fund	✓	✗	–	✓	A fund is a way to invest money. Depending on what type of fund it is, your money could be invested in property, shares in companies, bonds or a mixture of different types of financial products.

Term	Use term	Use new term	New term	Define on first use	Definition
Group Personal Pensions	✗	✓	Workplace pension	✗	Use the term 'workplace pension' instead of any specific type of workplace pension. However, if a detailed explanation of this particular type of pension scheme is required, you may want to use the following: A type of personal pension scheme set up by an employer on behalf of its workers. Although the scheme is arranged by the employer, each pension contract is between the pension provider and the worker. The employer may also pay into the scheme, adding money to each worker's pension pot.
Income drawdown or Income withdrawal	✓	✗	–	✓	Some Defined Contribution pension schemes allow you to take an income directly from your pension fund rather than using it to buy a regular retirement income. Your pension fund stays invested, so its value can go up and down. There are upper and lower limits on the amount of income you can take. These limits are set by the government and are reviewed regularly. The income you get is taxable.
Independent	✓	✗	–	✗	
Inflation	✓	✗	–	✓	Inflation is the increase in the general level of prices of goods and services. If more explanation is needed please use the following: The main measures of inflation used by the government and economists to work out how much prices increase each year are the Consumer Price Index (CPI) and the Retail Price Index (RPI). The government's preferred measure for price changes is the CPI, and it uses this to work out increases to most state benefits and pensions, public service pensions and the statutory minimum for certain private pensions each year. Some private pensions use RPI instead when working out any increases that may be due.

26 Part 2: Wider pensions terms

Term	Use term	Use new term	New term	Define on first use	Definition
Impaired life annuity	✗	✓	An annuity based on your health	✓	A type of retirement income, also called an annuity, which may pay you a higher regular retirement income if your life expectancy could be shortened because of your lifestyle (for example if you smoke) or your medical history.
Investment	✓	✗	–	✓	Where and how you try to grow your money. The aim of investing the money is that the value of the contributions to your pension pot could go up more than if you had put your money into a savings account or done nothing with it.
Joint annuity	✗	✓	Joint retirement income	✓	You can choose to add a retirement income for your husband, wife, partner or civil partner. They would get this after your death.
Legal duties	✓	✗	–	✗	
Level pension	✗	✓	Fixed retirement income	✓	Your retirement income stays the same each year for the rest of your life but because of inflation your money might not buy you as much in the future as it does today.
Lifestyling	✓	✗	–	✓	As you get near retirement, the money invested for your pension pot is moved gradually to investments that have less chance of going down in value in the short term. For example, the money could be moved from shares into cash.
Low cost	✓	✗	–	✗	

Term	Use term	Use new term	New term	Define on first use	Definition
NEST (pension scheme)	✔	✘	–	✔	The National Employment Savings Trust (NEST) is a trust-based workplace pension scheme designed to meet the needs of most people. NEST must accept any employer who wants to use the scheme for automatic enrolment. Employers can use NEST as their only pension scheme or alongside other pension schemes.
Nominated beneficiary	✔	✘	–	✔	The person or people you want to have your pension if you die.
Occupational pension	✘	✔	Workplace pension	✘	Use the term ‘workplace pension’ instead of any specific type of workplace pension. However, if a detailed explanation of a particular type of pension scheme is required, you may want to use the specific term.
Pension commencement lump sum or tax free cash or tax free lump sum	✘	✔	Cash lump sum	✘	
Pension	✔	✘	–	✔	A pension is a way of saving money to provide you with an income when you retire. When people talk about ‘their pension’ they can mean the way they are saving for their retirement or the income they receive when they are retired, or both.
Pension fund	✔	✘	–	✔	A pension fund is usually made up of shares and other financial products. The aim of the fund is to increase the value of the contributions to your pension pot more than if you had put your money into a savings account or done nothing with it.

Term	Use term	Use new term	New term	Define on first use	Definition
Pension provider	✔	✘	–	✘	
Pensionable pay	✔	✘	–	✔	The part of your pay that is used to work out your pension and pension contributions.
Personal pension	✔	✘	–	✔	This is a pension you set up yourself direct with a pension provider. You pay regular monthly amounts or a lump sum to the pension provider who will invest it on your behalf. The fund is usually run by financial organisations such as building societies, banks, insurance companies or unit trusts.
Private pension	✘	✘	–	✘	This term is sometimes used to mean all types of pension other than the State Pension. We do not recommend that the term is used in communications or information.
Projection	✘	✔	Estimate	✘	
Quote guarantee period	✘	✔	The length of time a quote for your retirement income is valid	✘	
Register	✔	✘	–	✘	
Retail Price Index	✔	✘	–	✔	One of the ways used to measure how much prices change. It measures the change in the cost of a 'basket' of products and services including energy, food, transport and housing. It covers more housing costs than the Consumer Price Index, including mortgage interest. The way it is worked out is different from the Consumer Price Index .
Retirement age	✔	✘	–	✔	The age you get to open your pension pot. (Not to be used when referring to the State Pension – for this use State Pension age).

Term	Use term	Use new term	New term	Define on first use	Definition
Retirement income	✓	✗	–	✗	Information providers need to look at the context carefully when using the term ‘retirement income’. For some specific types of pension more detail may be needed. Information providers may sometimes need to use the term ‘annuity’ or add ‘you may also see this called an ‘annuity’.
Rights	✓	✗	–	✗	
Risk (risk and return)	✓	✗	–	✓	There is some risk connected with every investment. The more risk you are prepared to take when you invest the money paid into your pension pot, the higher the rewards you might get. But the chances of losing money are bigger too. Investing in the stock market is generally thought to give better opportunities of growing your money and making sure your pension pot keeps up with inflation. There is a higher chance of losing some or all of what you invest.
Salary sacrifice	✓	✗	–	✓	This is an arrangement between you and your employer. You give up part of your pay, and your employer pays this amount into your pension pot instead. You might know this as ‘salary sacrifice’, ‘salary exchange’ or ‘SMART’.
Scheme	✓	✗	–	✗	
Shares	✓	✗	–	✓	A stake or share in a company.
Staff	✗	✓	Worker	✗	
State Pension	✓	✗	–	✓	The State Pension is a regular payment from the government you can receive when you reach State Pension age. The amount varies and is based on National Insurance contributions.

30 Part 2: Wider pensions terms

Term	Use term	Use new term	New term	Define on first use	Definition
State Pension age	✓	✗	–	✓	The earliest you can get your State Pension. It is based on your date of birth and gender.
State Pension deferral	✓	✗	–	✓	State Pension deferral is when you put off (decide to delay) claiming your State Pension until a time that suits you.
Tax relief	✓	✗	–	✓	Tax relief means some of your money that would have gone to the government as tax, goes into your pension instead.
Today's prices	✓	✗	–	✓	The amount of money you would get if you were receiving your pension now. This term may be used when you get an estimate of your pension. If your pension estimate is in today's prices, your estimate will show the amount of money you would get if you were receiving your pension now.
Transfer value	✓	✗	–	✓	The amount you get if you move the money in your pension pot from one scheme to another.
Trivial commutation	✗	✓	Taking your pension pot as cash	✓	If your total retirement savings are less than an amount set by the government, you might be able to choose to take this money as a cash lump sum instead of buying a retirement income.
Trust-based scheme	✓	✗	–	✓	A scheme run by a board of trustees. The trustees make sure the scheme is run in the interest of the members. The members are the people saving for their retirement with the scheme.

Term	Use term	Use new term	New term	Define on first use	Definition
Unit	✔	✘	–	✔	All funds are divided into smaller parts called units. When you make contributions to your pension these are used to buy units in that particular fund.
Unit price	✔	✘	–	✔	This is how much each unit held by a member is worth from day to day. Units are priced daily so if you have 10 units worth £10 each on the day they're sold, they'll be worth £100 in total.
Vesting or vesting period	✔	✘	–	✔	A vesting period sets how long you need to be in a scheme before you can claim a pension from the scheme at retirement. If you leave during the vesting period, you won't get a pension but you can get your contributions refunded as cash or transfer both your contributions and those of your employer to another scheme. Not all schemes have vesting periods.
Work-based pension	✘	✔	Workplace pension	✘	For consistency, we use 'workplace pension' rather than 'occupational pension', 'company pension' or 'work-based pension'. In research the term workplace pension tested well. It was seen as simple and easy to understand. However, if a detailed explanation of a particular scheme is required you may have to use the term.
Workplace pension	✔	✘	–	✘	This term describes any pension scheme that is offered through the workplace. Use instead of any specific type of workplace pension: for example, occupational pension, and group personal pension. However, if a detailed explanation of a particular type of pension scheme is required, you may have to use the specific term.

For more information about enrolling into a workplace pension go to: www.gov.uk/workplacepensions

To find out more about this guide and tell us what you think about it,
email: pensionslanguage@dwp.gsi.gov.uk



Crown Copyright

Produced by the Department for Work
and Pensions

Updated April 2014

ISBN - 978-1-78153-072-6