

Some key technical terms explained

Term	Meaning
Actuary	A professional person who is qualified to calculate risks and probabilities relating to insurance and pensions
Annuity	An annuity (also called lifetime annuity or pension annuity) provides guaranteed regular income for the rest of your life. Generally, you cannot change or cash in your annuity. The pension you could receive from your Rothesay policy is a lifetime annuity
AVCs	Additional Voluntary Contributions (AVCs) means the defined contribution or cash balance pension savings that were transferred from your previous pension arrangement to Rothesay with your defined benefit pension benefits. Rothesay offers a selection of unit-linked funds which are managed on our behalf via an arrangement with BlackRock. Your AVCs are invested in one or more of these funds. You may ask Rothesay to make changes to the way your AVCs are invested within the choices available at any time. The value of your AVC funds is not guaranteed and may increase or decrease in line with the performance of the underlying unit-linked funds which they are invested in. Your AVCs can be used to provide additional benefits when you take the other benefits from your policy
Contracted out	Contracting out means opting out of the State Second Pension (S2P) which, before 2002, was known as the State Earnings-Related Pension Scheme (SERPS). It means that you pay less National Insurance. Contracting out ceased to exist when the single tier State Pension was introduced in 2016. Any time spent contracted out will be deducted from your State Pension entitlement, but it is possible to rebuild this entitlement
Death benefits	Any benefits payable to your spouse or other dependant after your death
Defined benefit (DB)	A type of pension arrangement where the pension benefits you receive depend on your pensionable earnings and years of membership of that pension arrangement. Final salary pension arrangements are DB arrangements and your Rothesay policy provides DB benefits
Defined contribution (DC)	A pension arrangement that provides benefits based on the amount of money paid in and investment growth on this money. DC pension arrangements are sometimes referred to as money purchase arrangements
Dependant	Someone who is financially reliant on you, such as a child, wife, husband or civil partner
Expression of Wish	There may be a lump sum payable from your policy when you die. If so, Rothesay has discretion regarding who to pay this to. You can complete an 'Expression of Wish' declaration to let us know who you would like to receive any lump sum payable on your death, via our online service or a paper form.
Financial Conduct Authority (FCA)	The FCA regulates the conduct of 50,000 firms in the UK, including Rothesay, to ensure that our financial markets are honest, competitive, and fair. For more information please visit www.fca.org.uk

Flexi-access drawdown	In a DC pension arrangement, you can leave your money invested and take an income from it. Any money that remains invested may grow, but it may also go down in value. A quarter of your pension pot can be taken tax-free, and any other withdrawals will be taxable. Rothesay does not offer any flexi-access drawdown arrangements
Guaranteed Minimum Pension (GMP)	People who were contracted out of the State Earnings Related Pension Scheme (SERPS) at any time between 1978 and 1997 were entitled to Guaranteed Minimum Pension, which meant that there were certain conditions on how the pension was paid. If you were contracted out in your previous pension scheme, your GMP in that scheme would have transferred to your Rothesay policy
Increasing annuity	A type of annuity that pays income which increases in line with an inflation index, or to increase at an agreed fixed rate each year. (Also known as index-linked annuity or inflation-linked annuity)
Level annuity	A type of annuity that pays you the same amount of regular income from when you start taking your benefits until the end of any guarantee period, or until you die
Lifetime allowance (LTA)	The overall limit on the value of your pension benefits from all sources (except the State Pension and any benefits you are receiving as a dependant) before a penal tax charge of 55% used to apply. This was known as the 'lifetime allowance charge'. The LTA is currently £1,0731,100. From 6 April 2023, the additional tax charge has been removed and any pension income relating to pensions or cash lump sums that exceed the LTA will be taxed at your marginal rate of tax. The LTA may still affect the maximum one-off lump sum you can receive free of income tax when you take their benefits. For more information go to www.gov.uk/government/publications/abolition-of-lifetime-allowance-and-increases-to-pension-tax-limits
LTA protection	When the LTA was introduced and later when changes were made, individuals were given the opportunity to apply for protection against the LTA so that they would reduce or eliminate the effect of the lifetime allowance charge when they take their benefits. There are four types of protection against the LTA: Primary Protection, Enhanced Protection, Fixed Protection (2012, 2014 and 2016), and Individual Protection (2014 and 2016). If you have applied for any protection, please ensure that we are made aware of this as it may affect your benefits
Lump sum	This refers to a single payment made at a particular time, rather than a series of smaller payments
Normal retirement date (NRD)	The date defined as your NRD in your policy document, but you do not have to take your benefits at this date. If you take your benefits before your NRD, your pension will generally be reduced as it will be paid for a longer period. If you take your benefits later, it will generally be increased as it will be paid for a shorter period
Options	The options available to you regarding how and when you take your pension benefits from your policy
Pension benefits	The sums of money you get from your pension arrangements plus any sums of money your dependants receive on your death

Pension Commencement Lump Sum (PCLS)	This is the tax-free lump sum that is usually available when you first take your pension benefits. If you were previously contracted-out of part of the State Pension, we may need to adjust your pension so that it does not fall below your Guaranteed Minimum Pension (GMP)
Policy document	The document(s) detailing the terms of your policy which was issued to you when your pension benefits first transferred to Rothesay or a previous insurer
Previous scheme	Unless your Rothesay policy was transferred to us from another insurer, your benefits in your Rothesay policy originated in a company pension arrangement. We refer to this pension arrangement as your 'previous scheme'
Prudential Regulation Authority (PRA)	The Bank of England prudentially regulates and supervises financial services firms through the Prudential Regulation Authority (PRA). Rothesay is authorised and regulated by the PRA. For more information, go to: www.bankofengland.co.uk/explainers/what-is-the-prudential-regulation-authority-pra
Receiving scheme	When transferring to another pension arrangement, the 'receiving scheme' is the pension arrangement you nominate to receive your transfer value
Small lump sum	If the value of your pension benefits from your policy is less than £10 000, you may be able to exchange the benefits under your policy for a one-off lump sum. This is known as a 'Small lump sum'
State Pension	The government pays a basic State Pension to everyone who has paid the minimum National Insurance contributions. For further information, go to www.gov.uk/browse/working/state-pension
State Pension age (SPA)	The earliest age you can start receiving your State Pension. This may be different to your age at NRD. Your State Pension age depends on when you were born. To check your SPA and for details of the effect of delaying taking your State Pension, please visit: www.gov.uk/state-pension-age
State Pension date (SPD)	The date you reach your SPA and can start to receive your State Pension
Transfer value	This is the value of your pension benefits under your policy. Instead of receiving benefits directly from Rothesay, you can choose to have your transfer value paid to another pension arrangement and choose from the options available from that arrangement
Trivial commutation	If the value of your pension benefits from all sources (except the State Pension and any pension you are receiving as a dependant) is less than £30,000, you may be able to exchange the benefits under your policy for a one-off lump sum. This is known as 'trivial commutation'