



**Pensions  
Management  
Institute**

Moving pensions forward

Registered Office:  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

T: +44 (0) 20 7247 1452  
W: [www.pensions-pmi.org.uk](http://www.pensions-pmi.org.uk)

# **PMI Level 2**

## **Award in Pensions Essentials**

### **Qualification Specification**

# PMI Level 2 Award in Pensions Essentials

## QUALIFICATION AIM

To provide an introduction to UK pension arrangements for pension scheme administrators.

## PREREQUISITES

There are no formal prerequisites for this qualification; either qualifications or knowledge and experience.

However, we would anticipate most candidates would be working in the field.

## TRAILBLAZER APPRENTICESHIP

This qualification can be undertaken as part of the workplace pensions trailblazer apprenticeship. Full details can be found on the PMI website.

## QUALIFICATION STRUCTURE AND ASSESSMENT

This qualification comprises five compulsory units.

- Unit 1: Introduction to UK Pensions
- Unit 2: Disclosure Regulations & Whistle-blowing for Occupational Pension Schemes
- Unit 3: Occupational Pension Scheme Design, Investment and Administration
- Unit 4: Member Benefit Events and Rules for Defined Benefit (DB) Pension Schemes
- Unit 5: Member Benefit Events and Rules for Defined Contribution (DC) Pension Schemes

All units must be achieved in order to complete the qualification.

Further details on assessment can be found in the Test Specification.

## SYLLABUSES

Each unit syllabus is presented in a form which is intended to give an indication of the depth and breadth of knowledge which is required. A summary of learning outcomes is followed by an outline of each syllabus divided into sections with an initial statement indicating what is expected of candidates and some notes which give an indication of the way in which the initial statement should be interpreted. The learning outcomes use key words in heavy type to indicate the depth and/or breadth of knowledge which is required. The key words should be interpreted as follows:

**calculate** – compute using numbers

**distinguish** - mark the difference between

**explain** - make clear or intelligible; illustrate the meaning of

**identify** - demonstrate what something is

**outline** - brief general explanation; summary without detail

**understand** - comprehend; have a thorough knowledge of

## RECOMMENDED STUDY TIME

This is also known as Total Qualification Time (TQT) or Guided Learning Hours. TQT is a measure required by Ofqual the qualifications regulator and is comprised of:

- a. Guided Learning Hours (GLH). This means time spent being taught by an instructor (and not necessarily face to face); and
- b. Study Time. This means self study/revision/reading

In order to comply with Ofqual requirements and to provide an estimation of study time we have calculated the following:

As GLH, as defined above, is not common we have estimated a total of 10 hours for this component. For study time we have estimated 10 hours per unit. Therefore TQT = 100 hours for this qualification.

The above estimates are based on evidence we have gathered from users of our qualifications, past experience and benchmarking exercises. The evidence we have gathered indicates that there is considerable variation within the overall TQT estimates as blended approaches are common with differing mixes of Guided Learning and other elements which contribute to TQT. These estimates are reviewed regularly.

The qualification is normally achieved within one year of registration.

## **REGULATION**

This qualification is not regulated by Ofqual

## **QUALIFICATION LEVEL**

This qualification has been benchmarked at Level 2 in the national framework.

## **FEES**

Fees for this qualification can be found on this page: [Award in Pensions Essentials - The Pensions Management Institute \(pensions-pmi.org.uk\)](https://www.pensions-pmi.org.uk/award-in-pensions-essentials-the-pensions-management-institute) and here in the Qualification fees document : [pmi-qualifications.pdf \(pensions-pmi.org.uk\)](https://www.pensions-pmi.org.uk/pmi-qualifications.pdf)

## **LINKS WITH OTHER QUALIFICATIONS AND PROGRESSION**

Those who complete this qualification could proceed to complete additional PMI administration focussed qualifications such as the Certificate in Pensions Essentials, Certificate in Pensions Calculations, Certificate in Pension Scheme Member Guidance Certificate in Pensions Administration or Diploma in Administration. Alternatively they could pursue the PMI Diploma and Advanced Diploma in Retirement Provision.

The exact choice will depend on individual circumstances and career path.

## **MEMBERSHIP ENTITLEMENT**

Candidates undertaking the qualification will be automatically enrolled as VQ Student Members on registration for the duration of their study.

## CONSTITUENT UNITS

### UNIT 1 : INTRODUCTION TO UK PENSIONS

#### Aim

The aim of this unit is to provide occupational pension scheme administrators with an introduction to:

- pension provision in the UK;
- how the State's pension benefits and an individual's private pension provision evolved; the roles and responsibilities of various parties involved in pensions.

#### Learning Outcomes

On successful completion of this unit candidates will:

- **Understand** the importance of pension schemes to an individual.
- **Explain** the key features, advantages and disadvantages of a DB pensionscheme.
- **Explain** the key features, advantages and disadvantages of a DC pension scheme.
- **Distinguish** the main sources of pension savings, including State pensions, personal pensions, and occupational pensions.
- **Outline** State pension provisions and contracted-out benefits.
- **Identify** the different benefit choices on retirement/decumulation.
- **Distinguish** the different roles and responsibilities of those involved in running a pension scheme.
- **Explain** the role of the HM Revenue & Customs (HMRC) in relation to occupational pension schemes.
- **Explain** the effect of lifetime allowance on a member's benefit.
- Be able to **calculate** a straightforward member's basic retirement benefit.

#### Syllabus

1. The importance of pensions
  - 1.1 The alternatives available for saving for retirement and their advantages and disadvantages.
2. Key advantages of pensions
  - 2.1 Tax breaks on investment growth.
  - 2.2 Tax relief on contributions for both member and employer.
  - 2.3 Tax free cash at retirement.
  - 2.4 Money locked in until retirement.
3. State pension
  - 3.1 The Basic State Pension:
    - History
    - Features
  - 3.2 The New State pension:
    - History
    - Features
  - 3.3 The State pension retirement ages and how these have evolved
  - 3.4 Forthcoming changes in legislation

4. Additional State pensions available to individuals
  - 4.1 Graduated State Pension(GSP):
    - History
    - Features
  - 4.2 State Earnings Related Pension Scheme (SERPS):
    - History
    - Features
  - 4.3 The State Second Pension (S2P):
    - History
    - Features
  - 4.4 How contracting-out impacted on occupational pension scheme provision
5. Individual pension provision
  - 5.1 Overview and history of retirement annuity contracts
  - 5.2 Key features of personal pensions
  - 5.3 Who bears the investment risk in DC schemes/personal pensions?
  - 5.4 Overview of stakeholder pension plans and self invested personal pensions(SIPPs).
6. Occupational schemes
  - 6.1 Employer sponsorship – including automatic enrolment
  - 6.2 Trust Deed and Rules and Trustees
  - 6.3 Regulation - the Pensions Regulator:
    - Internal disputes resolution procedure
    - Outline of the Disclosure Regulations
  - 6.4 Outline of benefits available from occupational schemes:
    - Retirement
    - Death
    - Early leaver
  - 6.5 The main differences between DB and DC schemes
7. Roles and responsibilities of others involved in pensions
  - 7.1 Administrator
  - 7.2 Employer
  - 7.3 Trustees
  - 7.4 Investment Manager
  - 7.5 Actuary
  - 7.6 Auditor
  - 7.7 Lawyer
  - 7.8 Department for Work and Pensions (DWP)
  - 7.9 The Financial Conduct Authority (FCA)
  - 7.10 The Pensions Advisory Service (TPAS)
  - 7.11 The Pensions Regulator (TPR)
  - 7.12 HMRC.
  - 7.13 Pension Wise
8. DB schemes
  - 8.1 Main features:
    - Accrual rates
    - Pensionable salary
    - Service
  - 8.2 Contributions and funding:
    - Contribution amounts
    - The Pension Protection Fund (PPF)
  - 8.3 Retirement benefit calculations
  - 8.4 Contracting out and how it impacts on accrued benefits
  - 8.5 Investment risk in a DB scheme

9. DC schemes
  - 9.1 Main features of DC schemes
  - 9.2 Overview of small self administered schemes (SSAS)
  - 9.3 Investment risk in a DC scheme
  - 9.4 Pension freedom and choice
  - 9.5 Contributions and funding
  
10. Basic overview of retirement/decumulation options:
  - 10.1 Annuities.
  - 10.2 Scheme pensions
  - 10.3 Pension commencement lump sum (PCLS)
  - 10.4 Flexi access drawdown (FAD)
  - 10.5 Uncrystallised fund pension lump sum (UFPLS)
  - 10.6 Trivial commutation
  - 10.7 Small lump sums
  
11. Contribution and benefit limits/allowances
  - 11.1 Overview and history of contribution and benefit limits
  - 11.2 Annual allowance
  - 11.3 Money purchase annual allowance (MPAA)
  - 11.4 Benefit crystallisation events(BCE):
    - Definition of a BCE
    - Requirements when a BCE arises
  - 11.5 Lifetime allowance (LTA):
    - The importance of the LTA
    - Testing benefits against the LTA

## UNIT 2 : DISCLOSURE REGULATIONS & WHISTLE-BLOWING FOR OCCUPATIONAL PENSION SCHEMES

### Aim

The aim of this unit is to provide occupational pension scheme administrators with an overview of:

- the Disclosure Regulations and the Pensions Regulator's Code of Practice on Reporting breaches of the law; and
- how these Regulations and Code of Practice affect occupational pension schemes.

### Learning Outcomes

On successful completion of this unit candidates will:

- **Outline** the background to Disclosure Regulations.
- **Understand** what is required and the individual responsibilities under the Disclosure Regulations.
- **Understand** the various provisions and information requirements of the Disclosure Regulations, including timescales for basic scheme information, annual benefit statements and statutory money purchase illustrations.
- **Outline the** information must be provided in relation to member events under the Disclosure Regulations in relation to:
  - a. Retirement/decumulation.
  - b. Leaving Service.
  - c. Deaths.
  - d. Transfer Values.
  - e. The Trustee Annual Report.
  - f. Statement of Funding Principles.
- **Outline** the background to the whistle-blowing process in relation to anyone involved with pension schemes.
- **Explain** the whistle-blowing process and how it should operate.

### Syllabus

1. Background to the Disclosure Regulations:
  - 1.1 The objectives of the Disclosure Regulations and how they evolved
  - 1.2 Who is responsible for adhering to the Regulations
2. Overview of the Disclosure Regulations
  - 2.1 The information required
  - 2.2 Individuals eligible to receive information
  - 2.3 Definition of an excluded person
3. Disclosure Regulation Information Requirements and Timescales
  - 3.1 Basic scheme information
  - 3.2 Annual benefit statements
  - 3.3 Member Events:
    - Retirement/decumulation
    - Early leavers
    - Deaths
    - Transfers
  - 3.4 Trustee Annual Reports

- 3.5 Other relevant scheme documents:
  - Trust Deed and Rules
  - Statement of investment principles
  - Summary funding statements (DB schemes only)
  - Schedule of contributions/Payment schedules
  
- 4. The different requirements needed for DB (including career average (CARE) schemes) and DC schemes:
  - 4.1 Annual benefit statements/statutory money purchase illustrations
  - 4.2 Retirement/decumulation benefit information
  
- 5. Whistle blowing
  - 5.1 The objectives of the whistle blowing regulations and how they evolved
  - 5.2 The Pensions Regulator's role in whistle blowing
  
- 6. The whistle blowing process
  - 6.1 Reporting a breach to the Pensions Regulator
  - 6.2 The traffic light system in the legislation
  - 6.3 Common breach categories
  - 6.4 The processes in place at your own company
  
- 7. Late payment of contributions
  - 7.1 Timescales for reporting
  - 7.2 Reporting to the member and the Pensions Regulator
  - 7.3 Payment deadlines for member contributions



## UNIT 3 : OCCUPATIONAL PENSION SCHEME DESIGN, INVESTMENTS AND ADMINISTRATION

### Aim

The aim of this unit is to provide an introduction to occupational pension scheme administrators of:

- occupational pension scheme design for DB and DC schemes
- what needs to be considered by an employer when setting up an occupational pension scheme for its workforce
- the role of a Scheme Actuary for a DB scheme and a basic understanding of the economic and demographic assumptions that are used when calculating a scheme's funding rate
- the monthly investment cycle of contributions that are paid into an occupational pension scheme for a DC scheme
- attitudes to investing in a pension scheme and why a scheme uses investment funds and a brief explanation of investment fund choices available for members and trustees of occupational pension schemes
- an overview of the Data Protection Act principles and the Pensions Regulator's guidance on record keeping is also covered.

### Learning Outcomes

On successful completion of this unit candidates will:

- **Distinguish** the basic differences between all five types of occupational pension schemes (DB, DC, career average revalued earnings, cash balance and hybrid schemes) and be able to describe at least one of the pension schemes and how it works.
- **Explain** the factors that can affect an employer's decision when designing their pension scheme.
- **Explain** why the needs of an employer and employee are different with regards to an occupational pension scheme.
- **Understand** the structure and constitution of pension schemes and be able to identify what is required to set up a trust-based scheme.
- **Understand** how pension schemes invest employees' and employers' contributions and the main asset classes used by pension schemes.
- Be able to **explain** briefly the term lifestyling with regards to a member's investments in a pension scheme.
- **Understand** how the Data Protection Act principles affect the running of an occupational pension scheme.

### Syllabus

1. Basic differences of the following schemes:
  - 1.1 DB
  - 1.2 Career average revalued earnings (CARE)
  - 1.3 DC
  - 1.4 Hybrid schemes
  - 1.5 Cash balance schemes
2. Consider what design and legal considerations an employer should take into account when deciding on a pension for his employees and why this is important:
  - 2.1 Costs
  - 2.2 Workforce profile
  - 2.3 Employee/Employer needs
  - 2.4 Other factors:
    - Retirement ages
    - Additional voluntary contribution (AVC) availability
    - Legal Requirements

3. Understand how pension schemes integrate with the State scheme
  - 3.1 Integrating with the State pension
  - 3.2 Contracting-out overview:
    - What was contracting-out?
    - Guaranteed Minimum Pension
    - Reference Scheme Test
    - Former Protected Rights
    - Future changes to contracted-out benefits
4. The structure and constitution of pension schemes
  - 4.1 Trust-based schemes:
    - Trust Deed and Rules
  - 4.2 Contract-based schemes
  - 4.3 Statutory schemes
  - 4.4 Master Trusts
5. Overview of DB scheme funding and how it works
  - 5.1 The role of the Scheme Actuary:
    - Minimum requirements for funding levels and factors to be taken into consideration
    - The different funding methods used to calculate the funding rate
  - 5.2 Actuarial assumptions (economic and demographic)
  - 5.3 Actuarial valuations
  - 5.4 Calculating the transfer value basis
6. Contributions:
  - 6.1 Who pays contributions into pension schemes
  - 6.2 What happens to contributions in a DBscheme
  - 6.3 What happens to contributions in a DCscheme
  - 6.4 Salary sacrifice
7. Investing in a pension scheme
  - 7.1 Attitudes to risk and why this can impact on investment income for pension schemes
  - 7.2 Role of the investment manager
  - 7.3 Overview of different asset classes:
    - Equities
    - Gilts and investment bonds
    - Index linked securities
    - Property
    - Cash
    - Others - hedge funds, futures and options
8. Investment funds
  - 8.1 Why a scheme uses investment funds
  - 8.2 How unit linked funds work in practice
  - 8.3 Investment fund choices:
    - Active management
    - Passive management
    - Lifestyle funds
    - Self-select funds
  - 8.4 Fund switching
  - 8.5 Default fund options
9. Record Keeping and Data Protection:
  - 9.1 Record keeping and the Pensions Regulator's guidance
  - 9.2 Codes of practice
  - 9.3 Data validation and checking
  - 9.4 Data Protection Act principles and breaches

## UNIT 4 : MEMBER BENEFIT EVENTS AND RULES FOR DEFINED BENEFIT (DB) PENSION SCHEMES

### Aim

The aim of this unit is to provide an overview to occupational pension scheme administrators of:

- how a DB scheme works in respect of a member who either leaves their company's service (or opts out of being a member of the pension scheme), retires from the company's service, dies whilst still a member of the company pension scheme or transfers their pension benefits out to another pension arrangement
- HMRC rules that must be considered and govern how these member events are calculated.

### Learning Outcomes

On successful completion of this unit candidates will:

- **Explain** the additional options available for a member when they have joined an occupational pension scheme, particularly:
  - a) the various ways available for operating additional voluntary contribution contracts (added years or DC) within an occupational DB pension scheme.
  - b) the ways in which a member's transfer in of previous pension benefits can be incorporated into an occupational DB pension scheme.
- **Explain** the HMRC conditions for a member on leaving the pension scheme before retirement.
- **Identify** when a member may have a right to a refund of their own contributions.
- **Explain** when a member has a statutory right to transfer their benefits to another pension arrangement.
- **Explain** the process for calculating a member's benefits at normal retirement which should incorporate:
  - a) A basic calculation for a member's pension commencement lump sum (PCLS) and reduced/residual pension.
  - b) The lifetime allowance amount for the current tax year.
- **Explain** the options available to a member on divorce.

### Syllabus

1. How a DB scheme works, how to become a member and the information a new member would expect to receive
2. The options available to a member after joining a DB scheme
  - 2.1 Paying additional voluntary contributions (AVCs)
  - 2.2 Transferring previous benefits into the scheme
3. Basic overview of the annual allowance
4. How to calculate a member's pension in a DB scheme and the information needed for this calculation
5. How to calculate a member's pension in a DB scheme and the information needed for this calculation
6. How to calculate the maximum allowable pension commencement lump sum (PCLS) and residual pension under HMRC rules
7. Overview of options for DC AVCs
8. How to calculate the benefits if a scheme pays a PCLS in addition to the pension (e.g. Civil Service schemes)

9. How to test a member's benefit crystallisation event (BCE) at retirement against the lifetime allowance, including any relevant protections
10. The basic levels of statutory pension increases which can apply to a member's DB pension
11. The basic rules regarding trivial commutation of a member's benefits, and small lump sums at retirement
12. Overview of legacy contracted-out rights and rules relevant to DB schemes
13. The options available to a member on leaving a scheme before retirement
  - 13.1 An overview of rules allowing a member to take a refund of contributions or opt for deferred benefit
  - 13.2 A brief overview of rules when a member wishes to consider transferring out their pensions benefits to another pension arrangement
14. An overview of the death benefits and information requirements that may be available to a member or their dependants including an explanation on the use of expression of wish/nomination forms
15. An overview of how a member's benefits can be affected on divorce including how pension attachment (also known as earmarking) and pension sharing court orders can impact on a member's DB benefits

## UNIT 5 : MEMBER BENEFIT EVENTS AND RULES FOR DEFINED CONTRIBUTION (DC) PENSION SCHEMES

### Aim

The aim of this unit is to provide an overview to occupational pension scheme administrators of:

- how a DC scheme works in respect of a member who either leaves their company's service (or opts out of being a member of the pension scheme), retires from the company's service, dies whilst still a member of the company pension scheme or transfers their pension benefits out to another pension arrangement
- the monthly investment cycle of contributions that are paid into a DC occupational pension scheme
- HMRC rules that must be considered and govern how these member events are calculated.

### Learning Outcomes

On successful completion of this unit candidates will:

- **Explain** the options available for a member on leaving the scheme before normal minimum pension age (NMPA).
- **Explain** why a member's refund of contributions is taxed by the scheme administrator.
- **Explain** when a member has a statutory right to transfer his/her fund to another pension arrangement.
- **Explain** the annuity options available to a member at retirement/decumulation:
  - a) A brief explanation of an annuity.
  - b) Identifying the choices available for a member when purchasing an annuity.
  - c) Identify when a member may qualify for an enhanced annuity.
- **Distinguish** the alternatives available on reaching normal minimum pension age (NMPA) and the main features of flexi access drawdown (FAD) and uncrystallised funds pension lump sum (UFPLS).
- **Outline** the benefits available on the death of a member of the pension scheme and identify HMRC conditions for the payment of death lump sums.
- **Explain** the importance of an expression of wish/nomination form in a pension scheme.

### Syllabus

1. How a DC scheme works, how to become a member and the information a new member would expect to receive
2. The options available to a member after joining a DC scheme:
  - 2.1 Paying additional voluntary contributions
  - 2.2 Transferring previous benefits into the scheme
  - 2.3 Fund switching
  - 2.4 Changing member contribution levels
3. Basic overview of the annual allowance:
  - 3.1 Including the existence of money purchase annual allowance (MPAA).
4. The options available for a member on leaving the scheme before normal minimum pension age (NMPA)
  - 4.1 An overview of the rules allowing a member to take a refund of contributions and options available
  - 4.2 Overview of deferred benefits.
  - 4.3 A brief overview of rules when a member wishes to consider transferring out to another pension arrangement
5. The annuities available in the marketplace
  - 5.1 Including those in relation to scheme wind-up

6. Overview of annuity rates and annuity options
  - 6.1 Factors that can affect annuities
  - 6.2 Maximum pension commencement lump sum and residual pension choices on retirement
  - 6.3 Joint life annuities, escalation, guarantee periods and frequency of payments
  - 6.4 An example of the varying amounts a member may receive
  - 6.5 Enhanced and ill health annuities (including examples)
7. Overview of flexible retirement
  - 7.1 Uncrystallised funds pension lump sum (UFPLS)
  - 7.2 Flexi-access drawdown (FAD)
8. How to test a member's benefit crystallisation event (BCE) on accessing benefits against the lifetime allowance
9. The DC investment cycle process
  - 9.1 Overview of a monthly cycle of investing contributions
  - 9.2 Processing contributions
  - 9.3 Loading the data (contributions)
  - 9.4 Lifestyle switching
  - 9.5 Investment of the contributions
  - 9.6 Unitisation and how it works
  - 9.7 Reconciliation process
10. The Disclosure regulations, timescales and administrative issues when issuing and quoting a member's DC benefit choices
  - 10.1 Pension Wise
11. Overview of the small lump sum rules when a member retires from DC schemes
12. Overview of the death benefits and information requirements for members and beneficiaries from a DC scheme
13. An overview of how a member's benefits can be affected on divorce including how pension attachment (also known as earmarking) and pension sharing court orders can impact on a member's DC benefits