

Basic Pension Commencement Lump Sum Rules

The Main Aim of this unit:

The aim of this Unit is to provide occupational pension scheme administrators with an understanding of the Pension Commencement Lump Sum entitlements available to a member from an occupational scheme and the basic calculation process. The Unit also covers issues that can arise whilst processing a member's Pension Commencement Lump Sum.

The learner will need to know and understand:

Pension Commencement Lump Sum (PCLS) overview:

- The meaning of the term PCLS.
- HM Revenue and Customs (HMRC) conditions for payment of a PCLS.
- The maximum PCLS allowable under HMRC rules.
- Entitlement to a PCLS.
- Calculation of a maximum PCLS for a Defined Benefit (DB) & Defined Contribution (DC) scheme within the HMRC rules.
- The importance of checking the scheme rules with regards to entitlements to PCLS for members.

How Additional Voluntary Contributions (AVCs) can affect the amount of PCLS payable:

- The effect of DC AVCs on a PCLS from a DB scheme.
- Treatment of a DC AVC when attached to a DB scheme including the impact Flexi Access Drawdown (FAD) and Uncrystallised Fund Pension Lump Sum (UFPLS)
- The calculation of the maximum PCLS allowable under HMRC rules if a Defined Benefit scheme has Defined Contribution AVCs.

Disqualifying Pension Credits:

- The meaning of the term disqualifying pension credit.
- How a disqualifying pension credit can affect the maximum PCLS payable for a member.

Bridging Pensions:

- The meaning of the term bridging pension.
- How the payment of a bridging pension could affect the maximum PCLS payable.

Contracted-out rights:

- The relevance of Guaranteed Minimum Pensions and how it can impact on the PCLS available for a member.

HMRC Reporting Requirements

- When the payment of a PCLS has to be reported.

The Learning Outcomes for this unit are:

On successful completion of this unit the learner will:

1. Understand the term Pension Commencement Lump Sum (PCLS) and the circumstances under which a PCLS can be paid to a member of a pension scheme.
2. Identify the maximum PCLS (“applicable amount” or 25% of Lifetime Allowance) that is allowable under HMRC rules.
3. Know how to calculate the maximum PCLS for a member due to retire from a Defined Contribution scheme.
4. Understand the issues that may affect a PCLS payment to a member and the effect of bridging pensions on PCLS payments.
5. Be aware of the impact of pension sharing court orders and how disqualifying pension credits can have on a PCLS payment.
6. Understand how the payment of Defined Contribution Additional Voluntary Contributions can affect Defined Benefit scheme PCLS payments.
7. Specify the maximum PCLS available for a member in a Defined Benefit scheme with Defined Contribution Additional Voluntary Contributions attached to it.

Assessment Method

Assessment is via examination compiled, carried out and marked in-house (PMI recognised centre). Assessment is to cover all learning outcomes in order to pass the unit.