

Introduction to UK Pensions

The Main Aim of this unit:

The aim of this unit is to provide pension scheme administrators with an introduction to pension provision in the UK and how the State's pension benefits and an individual's private pension provision evolved. The unit also covers the roles and responsibilities of various parties involved in pensions.

The learner will need to know and understand:

The importance of pensions

- The alternatives available for saving for retirement and their advantages and disadvantages.

Key advantages of pensions

- Tax breaks on investment growth.
- Tax relief on contributions for both member and employer.
- Tax free cash at retirement.
- Money locked in until retirement.

State Benefits - Basic State Pension

- The current State Pension amount and how individuals qualify to receive the Basic State Pension.
- The State Pension retirement ages and how these have evolved.
- Forthcoming changes in legislation.

Knowledge of the Additional State Pensions available to individuals

- Graduated State Pension (GSP)
 - History
 - Features
- State Earnings Related Pension Scheme (SERPS)
 - History
 - Features
- The State Second Pension (S2P)
 - History
 - Features

Basic principles of Contracting out

- How contracting out can impact on occupation pension scheme provision.

Individual Pension Provision

- Overview and history of Retirement Annuity Contracts
- Key Features of Personal Pensions
- Contribution Limits
- Who bears the investment risk in defined contribution schemes/personal pensions?

- Overview of Stakeholder Pension Plans and Self Invested Personal Pensions

Occupational Schemes

- Employer sponsorship – including automatic enrolment
- Trust Deed and Rules & Trustees
- Regulation - The Pensions Regulator
 - Internal Disputes Resolution Procedure
 - Outline of the Disclosure Regulations
- Outline of benefits available from occupational schemes
 - Retirement
 - Death
 - Early leaver

Defined Benefit Schemes

- Main Features
 - Accrual Rates
 - Pensionable Salary
 - Service
- Contributions and Funding
 - Contribution amounts
 - The Pension Protection Fund
- Retirement Benefit Calculation
- Contracting out and how it impacts on schemes.
- Who bears the investment risk in a defined benefits scheme?

Defined Contributions Schemes

- Main features of Defined Contribution Schemes
- Overview of Small Self Administered Schemes
- Contracting Out
 - Protected Rights
- Who bears the investment risk in a defined benefits scheme?
- Administration issues & the contribution cycle process
- The main differences between Defined Benefit and Defined Contributions schemes

Basic Overview of Retirement Options

- Annuities
- DB Scheme Pension and PCLS (Pension Commencement Lump Sum)
- DC Scheme Annuity and PCLS (Pension Commencement Lump Sum)
- Flexi Access Drawdown (FAD)
- Uncrystallised Fund Pension Lump Sum (UFPLS)
- Trivial Commutation

Roles and Responsibilities of other people involved in pensions

- The Administrator
- The Employer
- Trustees

- Investment Manager
- The Actuary
- The Auditor
- The Lawyer
- Department for Work and Pensions
- The Pensions Advisory Service
- Citizens Advice Bureau
- The Pensions Regulator (covered earlier)
- Role of Her Majesty's Revenue & Customs
- Registered Pension Schemes Manual (RPSM)

Contribution and Benefit Limits

- Annual Allowance
- Benefit Crystallisation Events (BCE)
 - Definition of a BCE
 - Requirements when a BCE arises
- Lifetime Allowance (LTA)
 - The importance of the LTA
 - Testing benefits against the LTA

The Learning Outcomes for this unit:

On successful completion of this unit learner's will:

1. Understand the importance of pension schemes to an individual
2. Know the key features, advantages and disadvantages of a Defined Benefit Pension Scheme
3. Know the key features, advantages and disadvantages of a Defined Contribution Pension Scheme
4. Know the main sources of pension savings, including State Pensions, Personal Pensions, Occupational Pensions
5. Be aware of the Basic State Pension and the impact on the Additional State Pension of contracting out of an occupational scheme
6. Identify the different benefit choices on retirement
7. Know the different roles and responsibilities of those involved in running a pension scheme
8. Know the role of the HMRC in relation to occupational pension schemes

9. Know the tax regime that applies to occupational pension schemes including the effect of Lifetime Allowance on a member's benefit
10. Be able to calculate a straightforward member's basic retirement benefit

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.