

Certificate in Pension Scheme Member Guidance

SYLLABUS

The syllabus is presented in the order of the modules that comprise the qualification.

Aim:

To provide an understanding of the knowledge required for liaising with members who are electing options from pension schemes.

To apply the core knowledge and provide the necessary skills for dealing with individuals/members and dependents at various pension scheme membership events:

- joining a pension scheme.
- leaving a pension scheme
- considering transfer options.
- involved in a divorce
- reporting the death of a member.
- considering retirement options, taking all or part of their DC fund as cash, or commuting DB pension for cash.
- considering an annuity

To provide the appropriate skills to improve member outcomes

A note on terminology

The syllabus is presented in a form which is intended to give the student an indication of the depth and breadth of knowledge which is required. The main numbered headings – learning outcomes - are followed by further sections *in italics* which give an indication of the way in which the initial statement should be interpreted. The initial statement uses 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:

apply – make practical use of

analyse - break the subject or complex situations into separate parts and examine each part in detail

clarify – explain the information in a clear, concise way showing depth of understanding

classify - organise accurately according to specific criteria

consider - ponder, contemplate or study in order to make a decision

demonstrate - - explain or prove by reasoning/example

distinguish - mark the difference between

explain - make clear or intelligible; illustrate the meaning of

outline - brief general explanation; summary without detail

understand - comprehend; have a thorough knowledge of

The candidate will be able to:

CORE KNOWLEDGE MODULES (FOUR IN TOTAL)

(1) INFORMATION, ADVICE AND GUIDANCE ON PENSION BENEFITS

1. **Understand** the difference between regulated financial advice, information and guidance

Distinguish between regulated financial advice and information or guidance

Explain the:

- *difference between independent and restricted financial advice*
- *regulatory framework for financial advice*

Consider the protections available to individuals and the elements of the complaints process

(2) OPTIONS AVAILABLE FROM DIFFERENT PENSION SCHEMES

2. **Distinguish** between the main types of pension scheme and **outline** the options available to members, and when and how they operate

Explain the features and identify the options available to members, and when and how they operate from the following:

- *DB schemes*
- *CARE schemes*
- *cash balance schemes*
- *DC schemes*
- *automatic enrolment schemes*

(3) FINANCIAL CONSIDERATIONS WHEN MAKING PENSION BENEFIT DECISIONS

3. **Understand** the financial factors that need to be taken into consideration when making decisions on benefits

Clarify the main sources of income in retirement

Explain:

- *how expenditure patterns may differ in retirement*
- *the financial impact of the Annual Allowance and changes to the Lifetime Allowance*
- *the concept of income drawdown and when it may be applicable*
- *the potential financial impact of various decisions to members and their potential beneficiaries*
- *the tax implications of pension decisions*

(4) LIFESTYLE FACTORS THAT IMPACT ON PENSION BENEFIT DECISIONS

4. **Understand** the lifestyle factors which should be taken into account when making decisions at retirement or in retirement

Clarify the impact of the following:

- *age and longevity*
- *health and medical history*
- *marital status*
- *inflation and changes in prices*
- *typical spending patterns in retirement*

APPLICATION MODULES (SEVEN IN TOTAL)

(5) JOINING AN OCCUPATIONAL PENSION SCHEME

5. Demonstrate an understanding of the circumstances under which an individual might join a pension scheme

Explain:

- *how an individual can join a pension scheme*
- *potential consequences of not joining a scheme including limits on insurance covers*
- *how and when an individual may be automatically enrolled into a pension scheme*
- *how pension scheme membership might be linked to salary sacrifice arrangements*

(6) LEAVING AN OCCUPATIONAL PENSION SCHEME

6. Demonstrate an understanding of the concept of leaving a pension scheme to move to a new employer or whilst remaining in employment

Explain the:

- *potential impact of leaving a pension scheme whilst remaining in employment*
- *impact of leaving a pension scheme on benefits and the options available*

(7) TRANSFERRING PENSION BENEFITS

7. Demonstrate an understanding of a transfer out, transfer in, a regulated transfer and pension scams and the impact on benefits of each

Explain:

- *The arrangements to which a member can transfer benefits*
- *transfer outs, transfer ins, when it is a legal requirement to take financial advice from a regulated adviser and how they work*
- *how incentive exercises to transfer benefits work*
- *pension scams, warning signs and the potential impact on the member*
- *the guarantees and other benefits that are given up irrevocably on transferring from a DB arrangement to a DC arrangement*
- *the additional options in the DC environment in relation to the risks of transferring*
- *the rules around overseas transfers*

(8) DIVORCE AND PENSION BENEFITS

8. Demonstrate an understanding of the impact of divorce on pension benefits

Explain the:

- *impact of divorce on pension benefits and the options available*
- *process involved and time-scales*

(9) PENSION SCHEME DEATH BENEFITS

9. **Demonstrate** an understanding of the benefits that may be payable from pension schemes on death in service, death in deferment and death in retirement

Explain:

- *what to do when someone dies and the information required*
- *the benefits that may be payable on death in service, death in deferment and death in retirement*
- *the importance of Expression of Wish forms*

Clarify the relevant issues and options

(10) PENSION SCHEME RETIREMENT BENEFITS

10. **Demonstrate** an understanding of when a member can retire from a scheme and the different options available

Explain retirement options and how they work in the following situations:

- *serious ill-health*
- *ill-health*
- *early retirement*
- *late retirement*

11. **Demonstrate** an understanding of the issues surrounding relevant medical information in ill-health early retirement situations

Explain the importance of gathering relevant medical information and the sensitivities involved in processing it appropriately

12. **Demonstrate** an understanding of the options available in DC schemes

Explain:

- *how cash payments are calculated and taxed*
- *the pros and cons of annuities in comparison with taking cash*
- *the longer term implications of taking the whole benefit as cash*
- *flexible benefits and the information requirements including Pension Wise*

Analyse the implications of deferring annuity purchase and leaving funds in the scheme or transferring to a drawdown arrangement

13. **Demonstrate** an understanding of the concept of commutation

Consider the role of the scheme rules and GMPs

Explain:

- *commutation and how it works*
- *how commutation can affect other benefits*
- *trivial commutation*

Clarify the operation of commutation in DC schemes, including full commutation from age 55

Explain the tax implications of commutation

(11) ANNUITIES AND PENSION BENEFITS

14. **Demonstrate** an understanding of the features and operation of an annuity and how these affect a member

Classify the different types of annuity and the features of each

Explain the factors which impact annuity purchase

Analyse the importance and impact of gathering and processing relevant medical information

Explain how the features of an annuity impact member expectations and how these can be managed

Consider the operation of income drawdown and the options available

MEMBER INTERACTION MODULE (ONE IN TOTAL)

(12) COMMUNICATING WITH PENSION SCHEME MEMBERS SEEKING GUIDANCE

15. **Demonstrate** the appropriate skills when dealing with members

Apply and use communication methods and skills for member communications in various scenarios (joining, leaving, transferring, divorce, death, retirement and annuitisation)

Consider the need for, and use when appropriate, the following skills:

- effective listening
- sensitivity
- decision making
- questioning
- interpersonal and communication
- dealing with complaints