

Occupational Pension Scheme Design, Investments and Administration

The Main Aim of this unit:

To provide an introduction to occupational pension scheme administrators on occupational pension scheme design for Defined Benefit and Defined Contribution schemes. It also covers what needs to be considered by an employer when setting up an occupational pension scheme for its workforce.

The unit covers the role of a Scheme Actuary for a Defined Benefit scheme and a basic understanding of the economic and demographic assumptions that are used when calculating a scheme's funding rate. It covers the monthly investment cycle of contributions that are paid into an occupational pension scheme for a Defined Contribution scheme.

The unit also covers 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 Pension Regulator's guidance on record keeping is also covered.

The learner will need to know and understand:

Know the basic differences of the following schemes:

- Defined Benefit (DB)
- Career Average Revalued Earnings (CARE)
- Defined Contribution (DC)
- Hybrid Schemes
- Cash Balance Schemes

Consider what design considerations an employer should take into account when deciding on a pension for his employees and why this is important:

- Costs
- Workforce Profile
- Employee/Employer Needs
- Other factors:
 - Retirement ages
 - AVC availability

Understand how pension schemes can integrate with the State Scheme

- Integrating with the Basic State Pension
- Contracting out overview:
 - What Contracting out is
 - Guaranteed Minimum Pension
 - Reference Scheme Test
 - Contracting out Defined Contribution schemes
 - Age related rebates

- Protected Rights
- Future changes to contracting out

The structure and constitution of pension schemes

- Trust based schemes
 - Trust Deed and Rules
- Contract Based Schemes
- Statutory Schemes

Overview of Defined Benefit Scheme Funding and how it works:

- The role of the Actuary
 - Minimum requirements for funding levels and what needs to be taken into consideration
 - The different Funding Methods used to calculate the funding rate
- Actuarial assumptions (economic and demographic)
- Actuarial Valuations
- Calculating the transfer value basis

Contributions

- Who pays contributions into pension schemes
- What happens to contributions in a Defined Benefit scheme
- What happens to contributions in a Defined Contribution scheme
- Salary Sacrifice

Investing in a pension scheme

- Attitudes to risk and why this can impact on investment income for pension schemes
- Role of the Investment Manager
- Overview of different Asset classes
 - Equities
 - Gilts & Investment Bonds
 - Index Linked Securities
 - Property
 - Cash
 - Others - Hedge Funds, Futures and Options

Investment Funds

- Why a scheme uses investment funds
- How Unit Linked funds works in practice
- Investment fund choices
 - Active management
 - Passive Management
 - Lifestyle funds
 - Freestyle funds
- Fund Switching
- Default fund options

The Defined Contribution Investment Cycle process

- Overview of a monthly cycle of investing contributions
- Processing Contributions
- Loading the data (Contributions)
- Lifestyle switching
- Investment of the contributions
- Unitisation and how it works
- Reconciliation process

Record Keeping and Data Protection

- Record keeping and the Pension Regulator guidance
- Common Data
- Data Validation and Checking
- Data Protection Act principles and breaches

The Learning Outcomes for this unit:

On successful completion of this unit learner's will:

1. Know the basic differences between all five types of occupational pension schemes (Defined Benefit, Defined Contribution, 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.
2. Know the factors that can affect an employer's decision when designing their pension scheme.
3. Explain why the needs of an Employer and Employee are different with regards to an occupational pension scheme.
4. Understand the structure and constitution of pension schemes and be able to identify what is required to set up a trust based scheme.
5. Understand how pension schemes invest employees and employers contributions and the main asset classes used by pension schemes.
6. Be able to explain briefly the term lifestyling with regards to a member's investments in a pension scheme.
7. Understand how the Data Protection Act principles affect the running of an occupational pension scheme.

Assessment method

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