



## **Revaluation and Pension Increases for Defined Benefit Pension Schemes**

The Main aim of this unit:

To provide occupational pension scheme administrators with an overview of the principles of how a member's accrued pension benefits from the date of leaving the pension scheme are revalued up to the member's retirement date. In addition, the Unit details the legislation and principles of how a pensioner's pension in payment increases during the course of payment and the issues to be aware of when calculating these increases.

The learner will need to know and understand:

<b>Regulations from 1975 to current date and options available for a member leaving the scheme before normal retirement date.</b>
<b>Rules regarding Refund of contributions and Transfer out.</b> <ul style="list-style-type: none"><li>• Covering contracting out rights</li><li>• Statutory rights to refunds and transfers.</li></ul>
<b>Calculating a member's deferred pension at the date of leaving the scheme.</b>
<b>Breaking a pension down into its different components for revaluation.</b> <ul style="list-style-type: none"><li>• Knowledge of the various legislative components of a members' pension benefits.(including the contracting-out components)</li><li>• Understanding the various terms and their meanings in relation to revaluing a members pension.</li><li>• Section 148 Orders</li><li>• Limited Rate Revaluation</li><li>• Fixed Rate Revaluation</li><li>• Understanding Guaranteed Minimum Pension (GMP) revaluation.</li></ul>
<b>The revaluation rates that apply to the different pension components:</b> <ul style="list-style-type: none"><li>• GMP</li><li>• Pre 1997 excess benefits over GMP</li><li>• Benefits accrued from 6/4/97 – 5/4/2009</li><li>• Benefits accrued from 6/4/2009 onwards</li></ul>

<b>Revaluing a member's deferred pension from date of leaving to date of retirement.</b>
<b>A basic understanding of anti-franking and how it impacts on pension calculations.</b>
<b>How a member's pension increases in retirement</b> <ul style="list-style-type: none"> <li>• <b>The different pension components in a member's pensions benefit</b></li> <li>• <b>Statutory pension increase rates given during retirement.</b></li> </ul>
<b>The mechanics and background information of increasing a members pension in retirement</b> <ul style="list-style-type: none"> <li>• The change in the State Pension Age and</li> <li>• How this change impacts on a member's pension increases who have pre 6 April 1988 GMP's and whose State Pension Age has been increased from age 60.</li> <li>•</li> </ul>
<b>Maximum limits on pension increases (Benefit Crystallisation Event 3)</b> <ul style="list-style-type: none"> <li>• A basic understanding of a Benefit Crystallisation Event 3.</li> </ul>

### **The Learning Outcomes for this unit:**

On successful completion of this unit the learner will:

1. Know the rules for revaluation of deferred benefits for a Defined Benefit (DB) Scheme and the options available for a member who leaves the Scheme before retirement date.
2. Identify the main components of a deferred pension in a contracted out DB scheme and calculate a deferred pension at date of leaving.
3. Understand how the revaluation exercise differs for each component and the statutory revaluation requirements for a deferred pension.
4. Calculate the pension at retirement for deferred members (who left the scheme prior to retirement) including Guaranteed Minimum Pension (GMP) and non GMP benefits.
5. Know the rules regarding increasing a 'scheme pension' in payment including identifying the main components of a scheme pension and the statutory minimum increases that apply.
6. Calculate a pension increase for a member whose pension is in payment.

### **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.