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# **Diploma in Retirement Provision**

## **Qualification Specification**

# Diploma in Retirement Provision

## QUALIFICATION AIM

This Diploma rewards and acknowledges the completion of the core pensions technical units together with one of the specialist defined benefit or defined contribution arrangements units and forms a qualification in its own right. Holders are expected and encouraged to go on to complete the Advanced Diploma.

## PREREQUISITES

There are no formal prerequisites for this qualification; either qualifications or knowledge and experience.

However, we would anticipate most candidates would be working in the field.

## QUALIFICATION STRUCTURE, COMPLETION CRITERIA AND ASSESSMENT

This qualification comprises five units. These units are a selection from those available for the PMI Advanced Diploma.

Four compulsory core units

- Understanding Retirement Provision;
- Regulation of Retirement Provision;
- Running a Workplace Pension Scheme;
- Financing and Investing for Retirement Provision;

Plus a choice of specialist option units

Either

- Defined Benefit Arrangements; or
- Defined Contribution Arrangements.

Further details on the assessment of these units can be found in the relevant test specification

<https://www.pensions-pmi.org.uk/documents/diploma-in-retirement-provision-test-specification/>

## TRANSITIONAL ARRANGEMENTS

Those who have passes/exemptions from previous versions of the syllabus can obtain credits in the current syllabus according to the relevant transitional arrangements. Details on transitional arrangements can be found here: <https://www.pensions-pmi.org.uk/qualifications-and-learning/advanced-diploma-in-retirement-provision/previous-syllabus/>

## SYLLABUSES

Each unit syllabus is presented in a form which is intended to give an indication of the depth and breadth of knowledge which is required. Each syllabus is divided into sections with an initial statement, or learning outcome, indicating what is expected of candidates and some notes in italics which give an indication of the way in which the initial statement should be interpreted. The initial statement and notes use 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:

**analyse** – interpret and examine in detail  
**define** – make clear the exact meaning  
**demonstrate** - explain or prove by reasoning/example  
**describe** - give a detailed account of  
**distinguish** - mark the difference between  
**evaluate** – determine the value  
**explain** - make clear or intelligible; illustrate the meaning of  
**identify** - demonstrate what something is  
**outline** - brief general explanation; summary without detail  
**understand** - comprehend; have a thorough knowledge of

*The examinations in 2018 will be based on the 2018 syllabuses and the law as it existed at 6 April 2017. An awareness of any significant changes after 6 April will be to a candidate's advantage.*

## **RECOMMENDED STUDY TIME**

In making an estimate we have referenced the approach used by Ofqual (a UK qualifications regulator). This is also known as Total Qualification Time (TQT) or Guided Learning Hours and is comprised of:

- a. Guided Learning Hours (GLH). This means time spent being taught by an instructor (and not necessarily face to face); and
- b. Study Time. This means self study/revision/reading

In order to be consistent with Ofqual requirements and to provide an estimation of study time we have calculated the following:

As GLH, as defined above, is not common we have estimated a total of 0 hours for this component. For study time we have estimated 580-620 hours. Therefore TQT = 620 hours for this qualification.

The above estimates are based on evidence we have gathered from users of our qualifications, past experience and benchmarking exercises. The evidence we have gathered indicates that there is considerable variation within the overall TQT estimates as blended approaches are common with differing mixes of Guided Learning and other elements which contribute to TQT. These estimates are reviewed regularly.

## **REGULATION**

This qualification is NOT regulated by Ofqual.

## **FEES**

Fees for this qualification can be found on this page; <https://www.pensions-pmi.org.uk/qualifications-and-learning/diploma-retirement-provision/dates-fees-and-forms/> and here in the Qualification fees document: <http://www.pensions-pmi.org.uk/documents/qualification-fees-2018/>

## **LINKS WITH OTHER QUALIFICATIONS AND PROGRESSION**

These units can also be selected as options within the PMI Advanced Diploma in Retirement Provision.

## **MEMBERSHIP ENTITLEMENT**

Candidates undertaking the qualification will need to be at least a Student Member of the PMI.

Candidates completing the qualification successfully will be eligible to seek election as Diploma Members of the PMI with the designatory initials DipPMI.

## CONSTITUENT CORE UNITS

### CORE UNIT 1A - UNDERSTANDING RETIREMENT PROVISION

#### Aim:

To provide an introductory overview of retirement provision in the UK including an appreciation of:

- how workplace pensions have developed, the different types of workplace provision and how they sit alongside State pension provision
- the key features of automatic enrolment, trust and contract-based provision
- the roles and responsibilities of those involved in running workplace pensions
- personal savings and the options for retirement saving
- employee engagement with retirement provision.

1. **demonstrate an understanding** the origins and overview of retirement provision

**explain** the following aspects:

- *State*
- *workplace*
- *individual*

2. **demonstrate an understanding** of the context and the factors which influence the development of retirement provision in the UK

**identify** changes to State pension age, State benefits, historic and forthcoming legislation

**explain** the options available to access pension saving

**define** demographics

**outline** changing social trends

**describe** balancing work, retirement and income

**explain** different income needs in retirement and options

3. **describe** the main State retirement benefits and other benefits an individual might receive from the State and **explain** how retirement benefits are calculated

**analyse** the features of:

- *the new State Pension*
- *Basic State pension*
- *State Second Pension (S2P)*
- *Pensions Credit*

**outline** the features of other State benefits

4. **describe** the role of the key parties involved in retirement provision, the operation of a workplace pension scheme, their interaction and any conflicts of interest

**analyse** and distinguish between the roles of the following:

- *Government departments*
- *regulatory bodies*
- *advisers (including consultants, legal advisers, investment advisers, scheme actuary and auditors)*
- *members and their dependants*
- *employers/pensions manager, payroll and human resources*
- *secretary to the trustees*
- *service providers, including administrators*
- *investment managers*
- *insurer*

5. **identify** the roles and functions of the bodies that regulate pension schemes and provide assistance or protection to members and employers

**outline** the role and powers of:

- *The Pensions Regulator (TPR)*
- *Department for Work and Pensions (DWP)*
- *HM Revenue & Customs (HMRC)*
- *Pensions Ombudsman Service*
- *Financial Ombudsman Service*
- *PPF Ombudsman*
- *The Pensions Advisory Service (TPAS) Citizens Advice Service (including Citizens Advice Bureau) and Pension Wise*
- *The Money Advice Service (MAS)*
- *Pension Protection Fund (PPF)*
- *Financial Conduct Authority (FCA)*
- *Financial Assistance Scheme (FAS)*
- *Financial Services Compensation Scheme (FSCS)*
- *National Insurance Services to the Pensions Industry (NISPI)*
- *The Information Commissioner*
- *The Pension Tracing Service*
- *Pensions Compensation Board*
- *Pension Schemes Registry*

6. **explain** the main features of the employer duties for automatic enrolment and re-enrolment

**describe** automatic enrolment, contractual enrolment and re-enrolment

**define** jobholders and workers

**identify:**

- *qualifying earnings and pay reference periods*
- *qualifying schemes and automatic enrolment schemes*

**explain** phasing in and staging

**describe** the communication requirements and timescales

**explain** the role of the Pensions Regulator

7. **distinguish** between the different methods of providing and delivering pensions and the different benefits and options

**identify** the essential features, legal structure, delivery model and characteristics of workplace pension schemes

**evaluate** occupational pension schemes, personal pensions, stakeholders and SIPPs

**identify** universal automatic enrolment schemes including master trusts and their roles

**explain** the roles of the employer, trustees, providers, and employer and provider governance committees

8. **demonstrate an understanding of** the different types of benefit design found in pension schemes

**describe** the main benefit design features:

- *defined benefit (final salary and career average)*
- *defined contribution*
- *cash balance*
- *hybrid arrangements*
- *risk sharing schemes*

9. **understand** the context and the main types, and principal features, of workplace pension schemes found in both the private and public sectors, and **explain** the difference between insured and self administered schemes
- define** *public sector benefit structure*
- describe:**
- *private sector benefit structures*
  - *master trusts*
  - *cross border schemes*
- identify** *the features of:*
- *insured schemes*
  - *self-administered schemes*
  - *executive pension arrangements and employer financed retirement benefit schemes*
10. **demonstrate an understanding of** the financing of pension schemes
- analyse** *the financing of workplace pension schemes:*
- *defined benefit*
  - *defined contribution*
  - *defined ambition/risk sharing*
  - *pay as you go*
11. **evaluate** what an employer might consider when selecting a trust, master trust or contract-based arrangement
- identify** *the advantages and disadvantages of each*
12. **evaluate** the options for personal savings
- explain** *the features of the following:*
- *personal investments*
  - *alternative investments*
  - *insurances*
13. **describe** the options available for retirement saving
- outline** *the features of:*
- *tax advantaged savings vehicles*
  - *property*
  - *pension arrangements*
14. **understand** the main features of employee communications with saving for retirement
- outline:**
- *statutory disclosure requirements*
  - *the concepts of advice and guidance*

## CORE UNIT 2 - REGULATION OF RETIREMENT PROVISION

### Aim:

To provide an overview of the regulation of retirement provision in the UK including an appreciation of:

- legal and taxation aspects
  - compliance with regulation and where administrators need to focus on compliance issues
  - the bodies responsible for defining, monitoring and oversight
  - how the employee is supported by the financial services industry
  - current issues.
1. **analyse** a registered pension scheme and the tax treatment conferred by registered scheme status  
  
**outline** the Finance Act 2004 including the tax treatment of:
    - contributions
    - investment
    - benefits (retirement and death)
  2. **understand** the context of the principal features of the current tax regime governing registered pension schemes  
  
**define** Benefit Crystallisation Events and the Lifetime Allowance, including protection  
**outline** the features of the Annual Allowance, including the Tapered Annual Allowance and the Money Purchase Annual Allowance  
**identify** authorised and unauthorised payments
  3. **understand** the tax treatment of unregistered schemes  
  
**define:**
    - Employer Funded Retirement Benefit Schemes
    - Qualifying Recognised Overseas Pension Schemes
    - Excepted Life Schemes
  4. **understand** the implications of differences in Jurisdiction (England & Wales, Scotland and Northern Ireland) on retirement provision  
  
**explain** the implications in the following areas:
    - sources of law
    - Income Tax
    - options on divorce
  5. **understand** the roles and functions of the bodies that regulate pension schemes and provide protection to members and employers  
  
**explain** the role and powers of:
    - the Pensions Regulator (TPR)
    - HM Revenue & Customs (HMRC)
    - Financial Conduct Authority (FCA)
    - Department for Work and Pensions (DWP)
    - Financial Services Compensation Scheme (FSCS)
    - Pension Protection Fund (PPF)
    - Pensions Ombudsman and Financial Services Ombudsman

6. **demonstrate an understanding** of the principles of trust law and the role and responsibilities of pension scheme trustees and **evaluate** why trusts are used in a pensions context.

*identify the main features of a trust*

*distinguish between trust and contract-based alternatives for workplace pensions, including master trusts*

*identify the different types of trustees*

*analyse the appointment and removal of trustees*

*explain the duties and powers of trustees:*

- *investment powers*
- *exercise of discretions*
- *delegation*
- *meetings and minutes*
- *trustees' liability and protection*
- *trustee knowledge and understanding (TKU)*

*identify notifiable events*

*describe the Pensions Regulator's Codes of Practice and guidance notes*

7. **describe** the way in which pension schemes are established, the methods for changing trustees and employers and for amending schemes and **explain** the possible constraints on such amendments

*explain the trust deed and rules*

*outline relevant employee communications*

*explain how the following can be effected:*

- *changing employers*
- *changing trustees*
- *amending deeds*

*outline the powers of amendment*

*identify overriding legislation and relevant case law*

*analyse the relevant practical considerations*

*explain the process of consultation and notification to members*

8. **distinguish** between a share sale and a business sale and **demonstrate an understanding** of the duties of trustees in such situations and the related issues

*explain share sales and business sales (and key differences between them)*

*analyse sale and purchase agreements*

*evaluate past and future service provision (including Transfer of Undertakings (Protection of Employment) Regulations (TUPE))*

*explain the following:*

- *section 75 debts*
- *anti-avoidance and clearance*
- *apportionment of liabilities*
- *withdrawal arrangements*

*analyse scheme mergers*

9. **understand** the context of the duties imposed on the 'scheme administrator' by the Finance Act 2004

*outline the characteristics of effective record keeping*

*describe information requirements for:*

- *HM Revenue & Customs*
- *members*
- *other scheme administrators*



10. **describe** the requirements for communication with members
- explain the legal requirements for each of the following types of disclosure:*
- *automatic*
  - *on request*
  - *e communications/multi media*
11. **demonstrate an understanding** of the importance of a governance structure
- explain the features of scheme governance*  
*outline the roles of the employer, trustees, governance committees and providers*  
*outline the importance of:*
- *risk management*
  - *member communication and engagement*
  - *investment and manager selection*
12. **outline** other laws which impact on UK pension provision
- analyse the impact of:*
- *data protection*
  - *divorce, civil partnership and same sex marriages*
  - *family law*
  - *human rights*
  - *equal treatment and discrimination (including age discrimination)*
  - *dismissal and redundancy*
  - *anti-money laundering and anti-bribery*
  - *information and consultation regulation*
  - *Value Added Tax (VAT)*
  - *European Union law*
13. **demonstrate an understanding** of current issues
- analyse the impact of:*
- *cessation of contracting out and scheme reconciliations*
  - *data protection*
  - *pensions dashboard*
  - *Guaranteed Minimum Pension (GMP) equalisation/conversion*
  - *pension scams*
  - *data quality and the scheme return*
  - *defined benefit to defined contribution transfers*
  - *pension advice allowance and provision of advice at retirement (robo advice)*
  - *Green Paper (including consultation)*
  - *TPR consultation professional trustees*
  - *possible impact of BREXIT*
14. **understand** how companies and individuals working in the pensions field are regulated by the FCA
- outline the characteristics of*
- *statements of principle*
  - *financial advice*
  - *best advice*
  - *treating customers fairly*
  - *advertising and promotion*
  - *regular reviews of suitability*
  - *asset management market study*
  - *Financial Advice Market Review (FAMR)*

15. **explain** how the consumer is served by the financial services industry

**describe** the role of the providers of financial products

**explain** the relationship between product providers, advisers and consumers

**analyse** the perception of financial services

**identify** the main financial needs and how they are met

## CORE UNIT 3 – RUNNING A WORKPLACE PENSION SCHEME

### Aim:

To provide an overview of the requirements of running a workplace pension scheme, including an appreciation of:

- the implications of the tax and regulatory regimes that apply to workplace pensions
- scheme administration, payroll and financial administration
- the importance of data and data protection
- the calculation and payment of benefits
- the role of technology.

### 1. **demonstrate an understanding** of administration system design

**analyse** each of the following:

- *system requirements*
- *contractual enrolment, automatic enrolment and re-enrolment processes*
- *interfaces with payroll and human resources*
- *data protection*
- *end to end processing*
- *online functionality*
- *cyber security*

### 2. **demonstrate an understanding** of ongoing scheme requirements and implications for payroll and HR

**explain** the requirements for each of the following:

- *new employees, contractual enrolment and automatic enrolment*
- *employees opting-out and re-enrolment processes*
- *divorce, court orders and pension credit members*
- *individual bankruptcy*
- *renewals/interfaces and disclosure*
- *record keeping*
- *relevant Pensions Regulator Codes of Practice and guidance notes*

### 3. **demonstrate an understanding** of the main features of automatic enrolment

**define** *Jobholders and Workers*

**explain** the following:

- *staging dates*
- *postponement*

**distinguish** between the different options for *Qualifying Schemes*

**explain** the administrative requirements

**describe** the communication requirements and timescales

**explain** compliance and the *Pensions Regulator*

### 4. **understand** the main features of employee communication with saving for retirement

**outline** the importance of effective communication and identify the different methods of communication:

- *electronic or paper based*
- *face to face*

**distinguish** between statutory disclosure requirements and those arising from best practice

5. **describe** the procedures required for the different taxation allowances

**explain** the requirements for each of the following:

- Annual Allowance, including Tapered Annual Allowance and Money Purchase Annual Allowance
- Lifetime Allowance
- the various protection regimes

6. **demonstrate an understanding** of the key features of delivering pension benefits

**analyse** each of the following:

- different service delivery models e.g. outsourcing, co-sourcing, front office/back office, off shoring
- organisation of work
- key stakeholders – their roles and responsibilities
- service delivery models
- target setting

7. **outline** the various benefit crystallisation events when an individual leaves a workplace pension scheme and **understand** the advantages and disadvantages, administrative requirements including the provision of guidance and risks associated with different benefit options

**describe** the options on early leaving, refunds, deferred benefits, transfers (in and out)

**define** the options before retirement, including redundancy and ill-health

**identify** the benefits payable on death

**explain** the options available arising from divorce and the dissolution of civil partnerships

**describe** the retirement options:

- ill-health retirement
- phased retirement
- flexible retirement
- lump sum options including trivial commutation
- uncrystallised funds pension lump sums
- income drawdown (capped and flexible)
- different types of annuities

8. **demonstrate an understanding** of accounts and treasury requirements

**explain** the requirements for each of the following:

- timing of contribution payments
- money transfer processes and authorities
- record keeping
- reporting
- reconciliation processes
- accounting standards

9. **describe** the scheme level administration requirements

**explain** the requirements for each of the following:

- bank accounts and cash management
- annual report and accounts, scheme accounting and audit
- annual renewals

10. **demonstrate an understanding** of pensioner payroll requirements

**explain** the requirements for each of the following:

- *taxation of lump sum options*
- *application of tax codes*
- *accounting for tax deducted*
- *application of pension increases*
- *record keeping*
- *reporting*
- *treatment of overpayments or underpayments and communication*
- *combatting identity fraud*
- *responding to guidance such as payments overseas*
- *member insolvency*
- *earmarking orders*

11. **explain** from a UK perspective the practical benefit considerations to be taken into account when a member moves abroad

**explain** the requirements for each of the following:

- *residence overseas before and after retirement including temporary absence abroad*
- *cross border regulations*
- *overseas transfer charge*

12. **demonstrate an understanding** of current issues and **outline** recent developments in legislation and forthcoming changes that will impact on the governance of retirement provision

**explain** the impact of recent developments:

- *DC Code and How to Guides*
- *combating pension scams*
- *cyber security*

13. **describe** the procedures to be adopted in connection with the winding up of a trust-based pension scheme and **demonstrate an understanding** of the powers and duties of trustees in such situations and related issues

**outline** the interaction with the employer

**explain** scheme termination

**define** the procedure for wind up

**explain** the importance of tracing members

**explain** the issue of company insolvency

**outline** the role of the:

- *Pension Protection Fund*
- *Financial Assistance Scheme*

**describe** discharging duties on termination

## CORE UNIT 4 - FINANCING AND INVESTING FOR RETIREMENT PROVISION

### Aim:

To provide an overview of how employers and employees pay for workplace pensions and distinguishing between defined benefit and defined contribution arrangements and including an appreciation of:

- the factors which will influence the funding strategy, including the taxation regime
- risk appreciation and management
- financial regulation
- accounting and tax issues
- investment, investment management, investment strategy and governance

### 1. **demonstrate an understanding** of the principal reasons why retirement benefits are financed

**analyse** the following:

- *security*
- *stability and cash flow*
- *taxation*
- *accounting practices*

**explain** the funding of public sector schemes

### 2. **understand** how workplace pension schemes are financed

**describe** employer and employee contributions

**outline** the features of:

- *salary sacrifice*
- *Additional Voluntary Contributions (AVCs)*

**describe** unfunded schemes

**understand** the risks and how they can be managed

### 3. **demonstrate an understanding** of the tax regime and allowances

**explain** the tax relief/charges for/on the following:

- *contributions*
- *payments*

**describe** the taxation of Employer Financed Retirement Benefit Schemes

### 4. **understand** the different types of investments available to pension funds, **explain** their differences and suitability for different types of retirement provision

**analyse** the nature of equities:

- *UK*
- *overseas*
- *new issues and underwriting*

**analyse** the nature of bonds:

- *fixed interest – government/corporate, overseas, high-yield and emerging market debt*
- *index linked*
- *new issues and underwriting*

**outline** the other assets available:

- *property*
- *cash*
- *currency and currency hedging*
- *derivatives*
- *private equity*

- *commodities*
- *absolute return funds, including diversified growth funds*
- *infrastructure*
- *insurance policies*
- *stock lending/underwriting*
- *buy outs/ins, with profits, annuities*

**5. understand the financial regulation of workplace pension schemes**

**explain** the impact of/for the following:

- *Financial Services and Markets Act 2000 (FSMA)*
- *Pensions Act 2004*
- *The Pensions Regulator*
- *Pension Protection Fund*
- *Self investment*

**6. describe** the financial administration and governance of workplace pension schemes

**explain** the following aspects:

- *contribution management*
- *cash flow management*
- *accounting for tax*
- *investment records*
- *scheme accounts*
- *accounting standards*
- *audit*

**7. describe** the tax treatment of scheme investments

**analyse** each of the following:

- *investment income/capital gains*
- *property*
- *insurance policies*
- *overseas investments*
- *income from trade*
- *withholding tax*

**8. explain the considerations** when an individual is determining their investment strategy for and during retirement

**analyse** the impact of the following:

- *life expectancy*
- *income needs and shape in retirement*
- *expected retirement age*
- *size of existing fund and future contributions*
- *investment funds available including lifestyle, target date and default and the need to review these on a regular basis.*
- *attitude to risk*
- *role of regulation and legislation*
- *future economic conditions*
- *costs and charges*

**demonstrate an understanding** of the roles and responsibilities of employer and trustees in the provision of investment options for defined contribution schemes including master trusts

**explain** the following:

- *implications of size and type of scheme*
- *default funds*
- *retirement ages outcome assessment*
- *charges*
- *member education*
- *master trust*
- *advice*

9. **describe** what factors should be taken into account when determining a trust-based defined benefit scheme's overall investment strategy

**analyse** the impact of the following:

- *member demographics*
- *size and type of scheme*
- *strength of employer covenant*
- *role of regulation and legislation*
- *employer and trustee attitude to risk*
- *Statement of Investment Principles*
- *de-risking strategies*
- *diversification*
- *economic conditions*

10. **distinguish** between the various approaches to investment management and **outline** how, why and which size and type of scheme each might be used

**analyse** and **evaluate** the following:

- *segregated and pooled funds*
- *active and passive management*
- *manager structures*
- *multi manager funds*
- *in house management*
- *delegation and fiduciary management*

11. **outline** factors taken into consideration when selecting, monitoring and changing investment managers

**explain** each of the following:

- *manager selection process*
- *custody and title of assets*
- *fee structure*
- *setting performance targets*
- *ethical and socially responsible investment*
- *investment management agreements*
- *administration*
- *transition management*
- *frequency of monitoring and governance*
- *multiple managers*
- *transition risk*



## SPECIALIST OPTION UNITS

### DEFINED BENEFIT ARRANGEMENTS

#### Aim:

To provide an in depth understanding of trust-based defined benefit (DB) arrangements, building on and utilising the knowledge gained in the core units and applying it in a variety of scenarios, recognising the requirements of different stakeholders.

1. **demonstrate an understanding** of the factors which influenced defined benefit scheme design and the trend for new arrangements to be defined contribution schemes.

**explain** the impact of the following

- employer needs
- employee needs
- legislation
- corporate activity
- State provision
- administrative considerations
- eligibility conditions, contractual enrolment and automatic enrolment
- design of contribution structures
- salary sacrifice and its application
- new developments

2. **understand** the different types of DB arrangements and current trends

**analyse** each of the following workplace arrangements

- final salary (including cash balance)
- career average
- defined ambition (risk sharing schemes)

**analyse** individual and executive arrangements

3. **demonstrate an understanding** of certain key features of the tax system that apply to defined benefit schemes

**analyse** the impact of the following

- tax relief on contributions and investment return
- authorised and unauthorised payments
- Annual Allowance
- Lifetime Allowance
  - protection
  - Benefit Crystallisation Events
  - registration and de registration
  - scheme pays

4. **identify** the roles of the employer and trustees

**evaluate** the importance of

- legal requirements
- good governance and best practice including the voluntary “Code of Good Practice” on Incentive Exercises
- governance and impact on member outcomes

**evaluate** each of the following

- selection, appointment, management, monitoring and review of advisers, delivery vehicles and providers

5. **demonstrate an understanding** of the impact of the abolition of contracting out

**explain** the requirements for each of the following

- *historic requirements*
- *changes to scheme design*
- *reporting requirements (leavers; retirements; solvency)*
- *GMP equalisation/reconciliation/convergence*
- *cessation*

6. **describe** the scheme level requirements for the administration of DB arrangements

*active, deferred and pensioner members:*

- *communication*
  - *disclosure*
  - *pension saving statements*
  - *Additional Voluntary Contribution (AVC) Statutory Money Purchase Illustrations*
- *reconciliation procedures*
- *AVC*
  - *Investments*
  - *switching/redirection*
  - *charges*
  - *guarantees*

*options on early leaving:*

- *refunds*
- *deferred benefits,*
- *transfers (in and out) including public sector restrictions*

*retirement options:*

- *retirement*
- *ill-health retirement*
- *phased retirement*
- *flexible retirement*
- *lump sum options including trivial commutation*
- *open market option and different types of annuities*

*death benefits:*

- *on death before and after retirement*
- *payment of lump sums and dependants' pensions*
- *record keeping*

7. **describe** the scheme level requirements for the administration of defined contribution AVC arrangements

**explain** the requirements for each of the following

- *objectives of defined contribution administration*
  - *contribution and investment processing cycle*
- *legislative requirements for member contributions*
- *reconciliation procedures*

8. **demonstrate an understanding** of the legal requirements relating to the funding of registered pension schemes and the practical issues to which they can give rise

**describe** and **explain** the principles of scheme financing

**outline** *scheme specific funding*

**analyse** *funding objectives and measurement*

**explain** *the following:*

- *financial and demographic assumptions*
- *calculations of contribution rates*
- *the treatment of types of asset and liability*
- *use of contingent assets*
- *setting factors for early/late retirement commutation, transfer factors*
- *the calculation of individual and group transfer values*
- *actuarial valuations and reports*
- *the role of the Pensions Regulator*

**outline** *annual funding statements*

**explain** *the significance of employer covenant*

**define** *recovery plans and the schedule of contributions*

**outline** *company accounting standards for pension schemes*

9. **identify** and **distinguish** between different methods of actuarial funding

**analyse** *each of the following*

- *projected unit method*
- *attained age method*
- *discontinuance*
- *Section 179 Pension Protection Fund basis*
- *accounting standards*

10. **describe** what factors should be taken into account when determining a defined benefit fund's overall investment strategy

**analyse** *the impact of the following*

- *size of scheme, funding level*
- *strength of employer covenant*
- *role of regulation and legislation*
- *employer and trustee attitude to risk*
- *cash flow requirements*
- *liability profile*
- *asset/liability modelling*
- *liability driven investment*
- *asset allocation*
- *risk management*
- *Statement of Investment Principles*
- *de-risking strategies*

11. **demonstrate an understanding** of the approaches to managing risk, de risking and the advantages and disadvantages of each

**define** and **analyse** *the current approaches:*

- *buy in/buy out*
- *longevity swaps*
- *liability driven investment*

12. **demonstrate an understanding** of the Pension Protection Fund (PPF) levy
- describe and explain*
- *the purpose of the PPF levy*
  - *the calculation basis and issues arising*
13. **demonstrate an understanding** of the stages of restructuring a defined benefit scheme
- analyse each of the following*
- *reviewing benefit design*
  - *changing future benefit or contribution structure*
  - *closing to new entrants*
  - *ceasing future accrual*
  - *operating as a closed scheme*
  - *winding up*
  - *cessation of contracting out*
14. **describe** the procedures to be adopted in connection with the winding up of a pension scheme and **demonstrate an understanding** of the powers and duties of trustees in such situations and related issues
- outline the interaction with the employer*  
*explain scheme termination*  
*define the procedure for wind up*  
*explain the issue of company insolvency*  
*outline the role of*
- *Pension Protection Fund*
  - *Financial Assistance Scheme*
- describe discharging benefits on termination*
15. **describe** the process to be followed for a pension scheme's journey into the Pension Protection Fund and **demonstrate an understanding** of the duties of trustees in such situations and related issues
- explain the stages in the process*
- *Section 120 notice*
  - *assessment period*
  - *transition*
  - *compensation*
  - *entry to the PPF*
  - *communication*
  - *project management*
  - *timescales*
16. **demonstrate an understanding** of the challenges created by legacy issues
- *administering legacy arrangements*
  - *contracting out*
  - *reporting requirements*
  - *data standards*
  - *resolution of data discrepancies*

## DEFINED CONTRIBUTION ARRANGEMENTS

### Aim:

To provide an in depth understanding of trust and contract-based DC arrangements, building on and utilising the knowledge they have gained in the core units to show that they can apply this in a variety of scenarios and recognising the requirements of different stakeholders.

1. **demonstrate an understanding** of the factors which influence DC arrangement design and their influence on administration

**explain** the impact of the following:

- *employee needs*
- *employer strategy including corporate activity*
- *legislation and legacy issues*
- *State provision*
- *administrative considerations*
- *eligibility conditions, contractual enrolment and automatic enrolment*
- *design of contribution structures including automatic enrolment phasing*
- *salary sacrifice and its application*
- *charging structures and costs*

2. **understand** the different types of DC arrangements and current trends

**analyse** each of the following workplace arrangements:

- *trust-based*
- *contract-based*
- *group*
- *employer-sponsored arrangements*
- *bundled and unbundled arrangements*
- *master trusts*

3. **evaluate** the importance of system design in the administration of DC arrangements

**analyse** the impact of the following:

- *system requirements*
- *legislative requirements*
- *interfaces*
- *online access*
- *online enrolment*
- *Straight Through Processing*

4. **demonstrate an understanding** of the regulatory bodies and their key functions and consider the financial aspects of DC administration

**explain** the functions of each of the following:

- *Her Majesty's Revenue & Customs*
- *The Pensions Regulator*
- *Financial Conduct Authority/The Prudential Regulation Authority*

**explain** the requirements for each of the following:

- *bank accounts*
- *cash management*
- *scheme accounts and auditing*
- *risk benefits and rebroking*

5. **describe** the member level requirements for the administration of DC arrangements

**explain** the procedures involved in:

- *contribution management*
- *contribution investment processing including:*
  - *payment of contributions*
  - *investment switches/redirections*
  - *purchase of units*
  - *unit reconciliation checks*
  - *disinvestments*

**analyse** the impact of the following:

- *tax relief on contributions*
- *Annual Allowance, Tapered Annual Allowance and Money Purchase Annual Allowance and Scheme Pays*
- *active and deferred member communications:*
  - *pension savings statements*
  - *benefit statements and Statutory Money Purchase Illustrations*

6. **explain** the authorised pension benefits payable from DC arrangements

**describe** each of the following:

- *options on early leaving:*
  - *refunds*
  - *deferred benefits*
- *transfer options*
- *death benefit options:*
  - *death in service*
  - *death in deferment*
  - *death in retirement*
- *retirement options:*
  - *different types of annuities, including enhanced and the open market option*
  - *lump sum options including full commutation*
  - *income drawdown (capped and flexible)*
  - *uncrystallised funds pension lump sum*
  - *at retirement advice*
- *timing of retirement*
  - *early retirement*
  - *phased/flexible retirement*
  - *ill-health retirement*
- *closing and winding up schemes*
- *disclosure requirements including retirement risk warnings*

**analyse** the impact of the Lifetime Allowance:

- *various protection regimes*
- *Benefit Crystallisation Events*
- *registration and de registration*

7. **identify** the roles of the employer, trustees, providers and employer and provider governance committees and distinguish between trust-based and contract-based pension arrangements

**evaluate** each of the following:

- *governance structures/committees:*
  - *trustee (e.g. DC sub-committee/master trust)*
  - *employer*
  - *provider*

**evaluate** the importance of:

- *legal requirements around governance*
- *best practice*
- *charges and value for money*
- *internal controls*
- *conflicts of interest*
- *record keeping and regular reconciliations*
- *the Chair's statement*
- *risk management including reviewing advisers, delivery vehicles and providers*
- *good member outcomes including member communication and engagement*

**describe** the role of the Pensions Regulator in supporting good governance in relation to:

- *guidance*
- *Code of Practice*
- *How to Guides*

8. **describe** what factors should be taken into account by employers, trustees and governance committees when determining investment strategy

**analyse** the impact of the following:

- *default funds and their review*
- *range of funds*
- *monitoring performance*
- *Statement of Investment Principles*
- *Investment Governance Group Principles*

9. **understand** the investment considerations for members of DC arrangements

**analyse** each of the following:

- *different types of investments and the risk attached to each:*
  - *default funds*
  - *target date funds*
  - *lifestyle options*
- *types of investment management and charging*
- *investment platforms*
- *lifestyle strategies*

10. **demonstrate an understanding of** individual arrangements and specialist pension provision for executives and directors

**describe** each of the following:

- *different arrangements for executives and directors*
  - *Executive Pension Plans*
  - *Small Self Administered Schemes*
  - *Employer Financed Retirement Benefit Schemes*
- *different types of individual pension arrangement*
  - *personal pension plans*
  - *stakeholder schemes*
  - *self-invested personal pensions*
  - *retirement annuity contracts*

11. **outline** recent developments in legislation and forthcoming changes that will impact on DC pension provision

**explain** the impact of recent developments:

- *taxation of ROPS transfers*
- *Pensions Advice Allowance*
- *reduction to Money Purchase Annual Allowance*
- *market consolidation (bulk transfers of DC pensions without consent and master trust developments)*
- *latest DC governance reforms including early exit charges and transparency measures*
- *Pensions Dashboard*
- *Lifetime ISA and comparison to DC pension savings, pensions tax relief consultation*
- *General Data Protection Regulation*
- *measures to tackle pension scams*