

Certificate in DC Governance (2017/18 edition)

Syllabus

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 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

consider – gauge the merit; reflect on and make allowance

demonstrate - explain or prove by reasoning/example

distinguish- mark the difference between

evaluate- examine in order to judge value, quality or importance

identify- demonstrate what something is

outline- brief general explanation; summary without detail

understand- comprehend; have a thorough knowledge of

The syllabus and the examinations in 2017/18 are based on the law and practice of the United Kingdom as it existed on 6 April 2017 unless stated otherwise.

Aim

To provide an understanding of the requirements and standards of governance relating to defined contribution (DC) workplace pension schemes.

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

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

***evaluate** occupational pensions, personal pensions, group personal pensions, stakeholder pensions and self-invested personal pensions*

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

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

***identify** the different benefits and options*

- *annuity purchase*
- *cash sums (tax-free and taxable)*
- *income drawdown*

2. **evaluate** why an employer might choose either a trust-based, master trust or contract-based arrangement

***identify** the advantages and disadvantages of each*

***demonstrate an understanding** of the different structures*

3. **understand** the roles and functions of the bodies that regulate workplace DC pension schemes and provide assistance or protection to members and employers

demonstrate an understanding of the role of

- *the Pensions Regulator (TPR)*
- *HM Revenue & Customs (HMRC)*
- *the Financial Conduct Authority (FCA)*
- *the Department for Work and Pensions (DWP)*
- *the Financial Services Compensation Scheme (FSCS)*
- *Guidance Guarantee Delivery Providers*
- *the Pensions Ombudsman Service (POS)*
- *the Financial Ombudsman Service (FOS)*

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

identify the impact of the following developments

- *Taxation of Pensions Act 2014*
- *Pension Schemes Act 2015*
- *Finance Acts 2015 and 2016*
- *Pension Schemes Bill 2016-17*
- *The Occupational Pension Schemes (Charges and Governance) (Amendment) Regulations 2016*
- *TPR's Governance and administration of occupational trust-based schemes providing money purchase benefits (Code of Practice 13)*
- *TPR's 'how to' guides*
- *Transparency: disclosure of transaction costs*
- *TPR's 21st century trusteeship and governance*

5. **understand** TPR's and DWP's approach to DC governance and quality standards for trust-based arrangements

identify the DWP's minimum quality standards and charge controls and when they apply

demonstrate an understanding of what TPR expects from trustees in meeting these standards and controls under its Code of Practice 13 and supporting guidance

outline the content of the Annual Chair's Statement and DC Scheme return and relevant deadlines

6. **understand** the FCA's approach to DC governance and quality standards for workplace personal pension schemes

demonstrate an understanding of the requirement for a provider to establish and maintain an Independent Governance Committee (IGC), including the:

- *duties of an IGC and of the provider in ensuring an IGC's effectiveness.*
- *scope and structure of IGCs*
- *FCA's supervisory approach to IGCs*
- *content of the IGC's Annual Report and relevant deadlines*

identify the relevant charge controls and when they apply

7. **demonstrate an understanding** of the automatic enrolment requirements

- **demonstrate an understanding** of the concepts of staging dates and postponement
- **distinguish** between the different certification options for qualifying schemes
- **identify** the administrative requirements, including assessment, certification and re-enrolment

8. **demonstrate an understanding** of the importance of the governance structure in DC arrangements

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

demonstrate an understanding of the importance of

- legal requirements
- good governance and best practice
- the impact of governance on member outcomes
- value for money

evaluate each of the following

- structures – trustee (e.g. DC sub-committee / master trust), employer governance committees and provider IGCs
- bundled and unbundled DC delivery vehicles
- selection, appointment, management, monitoring and review of advisers, delivery vehicles and providers

9. **demonstrate an understanding** of the importance of risk management

evaluate each of the following

- scheme documents including the Annual Chair's Statement for trust-based DC arrangements
- internal controls and risk management, including risk register

evaluate the importance of

- a risk management strategy
- a business plan
- an Internal Dispute Resolution Procedure (IDRP)
- Trustee Knowledge and Understanding (TKU)
- training plans

10. **demonstrate an understanding** of the nature of decision making and the role of professional advice

identify the decision-making procedures of members, employers, trustees, providers, employer governance committees and provider IGCs, and responsibility for decision-making

identify the role of professional advisers (including IFAs)

consider the different stages/age of members and decision-making throughout their career i.e. on joining, mid-career and nearing retirement

demonstrate an understanding of conflicts of interest

11. **understand** the administration requirements for DC arrangements

identify the requirements for each of the following

- new joiners
- contribution management - payment schedule
- benefit statements and Statutory Money Purchase Illustrations (SMPs)
- processing of transactions
- data quality and cleansing
- divorce
- death benefits
- transfers/pension scams including TPR's guidance/online tool
- options at retirement/decumulation
- annual allowance/lifetime allowance
- data protection
- reporting/service levels

12. **demonstrate an understanding** of the importance of effective member communications and engagement

identify

- *what makes member communications effective*
- *compliance and disclosure requirements*

consider *what is good practice when communicating with members*

distinguish *between*

- *guidance, information and advice*

13. **demonstrate an understanding** of the Pensions and Lifetime Savings Association's Pensions Quality Mark (PQM) and Retirement Quality Mark (RQM)

distinguish *the relevance of the Pensions Quality Mark (PQM, PQM Plus and PQM Ready) and the RQM to employers and employees*

14. **demonstrate an understanding** of the role of trustees and employer and provider governance committees in choosing and monitoring investments

identify *the requirements for each of the following*

- *investment decision-making*
- *investment objectives*
- *investment costs and charges*

outline *the content of a Statement of Investment Principles (SIP) and the processes to be followed in preparing and revising a SIP*

identify *the makeup of a default strategy and the processes to be followed in selecting and revising a default strategy*

understand *Socially Responsible Investment*

identify *the role of performance measurement, targets and mechanisms for monitoring investment arrangements and fund managers.*

evaluate *the use of*

- *active and passive management*
- *core fund range*
- *white-labelling*
- *lifestyle strategies*
- *benchmarks*
- *targets*