

# PMI Level 3 Certificate in Pensions Essentials

## Qualification Specification

### Qualification Aim

To provide an overview of the requirements of pension administration for administrators and others working on the operation of workplace pension arrangements. This includes:

- The main types, features, and structures of arrangements
- Reporting requirements
- Joining
- Benefits
- Contributions

### Prerequisites

There are no formal prerequisites for this qualification, either in terms of qualifications or knowledge and experience.

Some candidates may have completed the PMI Award in Pensions Essentials. However, we anticipate most candidates will be working in the field.

### Trailblazer Apprenticeship

This qualification can be undertaken as part of the Workplace Pensions Trailblazer Apprenticeship. Full details can be found on the PMI website.

### Qualification Structure and Assessment

This qualification comprises 18 units:

- Unit 1: HMRC Rules Overview
- Unit 2: Trivial Commutation and Small Lump Sums for Occupational Pension Schemes
- Unit 3: Pension Schemes and Divorce
- Unit 4: Pension Transfers in Occupational Pension Schemes
- Unit 5: Career Average Revalued Earnings Occupational Pension Schemes
- Unit 6: Advanced Pension Commencement Lump Sum Rules (Including Scheme-Specific Protection)
- Unit 7: Basic Pension Commencement Lump Sum Rules
- Unit 8: Reporting Requirements for Occupational Pension Schemes

- Unit 9: Revaluation and Pension Increases for Defined Benefit Pension Schemes
- Unit 10: Protecting a Member's Pension Benefits from Tax Charges
- Unit 11: Introduction to Pension Scheme Discontinuance
- Unit 12: Underfunded Schemes in Discontinuance
- Unit 13: Unauthorised Payments for Registered Pension Schemes
- Unit 14: Overview of Automatic Enrolment
- Unit 15: Short Service Refund Lump Sums for Occupational Pension Schemes
- Unit 16: Introduction to Occupational Pension Scheme Death Benefits
- Unit 17: The Annual Allowance
- Unit 18: Introduction to Investment Regulated Pension Schemes

**Ten out of the 18 units must be achieved to complete the qualification. Further details on assessment can be found in the Test Specification.**

### **Syllabuses**

Each unit syllabus is presented to indicate the depth and breadth of knowledge required. A summary of learning outcomes is followed by an outline of each syllabus, divided into sections with an initial statement indicating what is expected of candidates and notes to guide interpretation. The learning outcomes use key words in **bold** to indicate the depth and/or breadth of knowledge required. These should be interpreted as follows:

- **Calculate** – compute using numbers
- **Demonstrate** – explain or prove by reasoning/example
- **Describe** – give a detailed account of
- **Distinguish** – mark the difference between
- **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

### **Recommended Study Time**

This is also known as Total Qualification Time (TQT) or Guided Learning Hours, as required by Ofqual, the qualifications regulator. TQT comprises:

- **Guided Learning Hours (GLH):** Time spent being taught by an instructor (not necessarily face-to-face)
- **Study Time:** Self-study, revision, or reading

To comply with Ofqual requirements and provide an estimation of study time, we have calculated:

- **GLH:** Estimated at 5 hours, as GLH is not common.
- **Study Time:** Estimated at 25 hours per unit.
- **Total TQT:** 300 hours for the qualification (5 hours GLH + 25 hours × 10 units).

These estimates are based on evidence gathered from users of our qualifications, past experience, and benchmarking exercises. There is considerable variation within TQT estimates, as blended approaches with differing mixes of Guided Learning and other elements are common. These estimates are reviewed regularly.

The qualification is typically achieved within 18 months of registration.

### **Qualification Level**

This qualification is benchmarked at Level 3 in the national framework.

### **Fees**

Fees for this qualification can be found on the PMI website: <http://www.pensions-pmi.org.uk/qualifications-and-learning/certificate-in-pensions-essentials/fees-and-forms/> and in the Qualification Fees document: [pmi-qualifications.pdf](#).

### **Links with Other Qualifications and Progression**

Those who complete this qualification may proceed to additional PMI administration-focused qualifications, such as:

- Certificate in Pensions Calculations
- Certificate in Pension Scheme Member Guidance
- Certificate in Pensions Administration
- Diploma in Pensions Administration

Alternatively, candidates may pursue the PMI Diploma or Advanced Diploma in Retirement Provision. The choice depends on individual circumstances and career paths.

### **Membership Entitlement**

Candidates undertaking the qualification will be automatically enrolled as VQ Student Members upon registration for the duration of their study.

Candidates who successfully complete the qualification will be eligible to apply for election as Professional Members of the PMI with the designatory initials **ProfPMI**.

## Constituent Units

### Unit 1: HMRC Rules Overview

#### Aim

To provide occupational pension scheme administrators with:

- An overview of HM Revenue & Customs (HMRC) rules that affect all pension schemes
- The impact of this legislation on members' benefits and Benefit Crystallisation Events (BCEs, pre-6 April 2024)
- The impact of this legislation on Relevant Benefit Crystallisation Events (RBCEs, post-6 April 2024)
- An understanding of the legacy implications of the abolished Lifetime Allowance (LTA)

#### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** the terms Pension Input Period (PIP) and Pension Input Amount (PIA)
- **Understand** the rules affecting the Annual Allowance under the current tax regime and the checks required to ensure it is not exceeded
- **Identify** the different Relevant Benefit Crystallisation Events (RBCEs)
- **Distinguish** between the different pension protections
- **Determine** the LSA used for benefits crystallising post-2006 for Defined Benefit (DB) and Defined Contribution (DC) schemes
- **Identify** any differences in the LSA calculation if benefits crystallised pre-6 April 2006

#### Syllabus

##### 1. Benefit Accrual and the Annual Allowance

- Current limits on benefit accrual and tax relief
- Circumstances requiring a test against the Annual Allowance
- Application of Annual Allowance tax charges
- Calculation of basic benefit accrual for a Defined Benefit (DB) scheme
- Money Purchase Annual Allowance (MPAA) and its implications
- Impact of Relevant Benefit Crystallisation Events (RBCEs) on benefits

##### 2. Pension Input Periods and Amounts

- Definition and identification of a Pension Input Period (PIP)

- Calculation of a Pension Input Amount (PIA) for DB and Defined Contribution (DC) schemes

### **3. Relevant Benefit Crystallisation Events (RBCEs)**

- Definition of an RBCE and its role in testing benefits against the Lump Sum Allowance (LSA, £268,275) and Lump Sum and Death Benefit Allowance (LSDBA, £1,073,100) post-6 April 2024
- Examples of RBCEs, including Pension Commencement Lump Sum (PCLS), Uncrystallised Funds Pension Lump Sum (UFPLS), Serious Ill-Health Lump Sum (SIHLS), and lump sum death benefits
- Payments not classified as RBCEs (e.g., trivial commutation lump sums ≤£30,000, lump sums post-age 75)

### **4. Significance of RBCEs for Occupational Pension Schemes**

- Determination of tax-free lump sum portions and reduction of LSA and LSDBA
- Compliance with HMRC regulations, including reporting taxable amounts
- Impact on schemes with members holding transitional protections (e.g., Transitional Tax-Free Amount Certificate [TTFAC]) or Fixed/Enhanced Protection

### **5. Member Responsibilities for RBCEs**

- Notification of RBCEs to scheme administrators for accurate LSA and LSDBA tracking
- Application for a TTFAC before the first RBCE post-6 April 2024, where applicable
- Provision of Fixed or Enhanced Protection details for allowance calculations
- Reporting taxable lump sums exceeding LSDBA to HMRC for death benefits

### **6. Scheme Administrator Responsibilities for RBCEs**

- Calculation of tax-free and taxable lump sum portions against LSA and LSDBA, considering protections
- Reporting RBCE details to HMRC within specified timescales
- Issuing statements to members detailing LSA and LSDBA usage post-RBCE
- Maintaining records of RBCEs and coordinating with personal representatives for death benefits

## **7. RBCEs in Retirement Scenarios**

- RBCEs involved: PCLS payment and tax-free part of an UFPLS or Flexi Drawdown payment
- Calculation of available LSA, considering prior RBCEs, TTFAC, or Fixed/Enhanced Protection (e.g., Fixed Protection 2014: £1.5m LSDBA)
- Tax implications for lump sums exceeding LSA (taxed at marginal rate)
- Application of scheme-specific lump sum protections
- Compliance with HMRC reporting, including Normal Minimum Pension Age (NMPA, 55, rising to 57 in 2028)

## **8. RBCEs in Ill-Health Retirement**

- RBCe involved: Payment of a Serious Ill-Health Lump Sum (SIHLS) before age 75
- Verification of SIHLS eligibility (e.g., medical evidence)
- Calculation of tax-free SIHLS against LSDBA, accounting for prior RBCEs or protections
- Tax implications for SIHLS exceeding LSDBA
- HMRC reporting and issuance of LSDBA usage statements

## **9. Legacy Implications of the Lifetime Allowance (LTA)**

- Impact of pre-6 April 2024 Benefit Crystallisation Events (BCEs) on LSA and LSDBA calculations
- Role of TTFAC in mitigating LTA legacy reductions
- Effect of prior LTA protections (e.g., Fixed Protection, Enhanced Protection) on LSA, LSDBA, and OTA

## **10. Pension Protections and Their Application**

- Types of pension protections (e.g., Fixed Protection, Enhanced Protection, TTFAC)
- Eligibility and application processes for protections
- Impact of protections on LSA, LSDBA, and OTA calculations for DB and DC schemes
- Differences in LSA calculations for benefits crystallised pre- and post-6 April 2006

## Unit 2: Trivial Commutation and Small Lump Sums for Occupational Pension Schemes

### Aim

To provide occupational pension scheme administrators with an understanding of the terms 'trivial commutation' and 'small lump sums' and the rules governing how and when these payments can be made. The unit also explains how to calculate a Trivial Commutation Lump Sum and HM Revenue & Customs (HMRC) conditions for payment.

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** the HMRC rules regarding trivial commutation of pension benefits
- **Understand** the situations when trivial commutation may apply and the surrounding taxation rules
- **Calculate** a crystallised and an uncrystallised trivial commutation payment from a DB scheme
- **Understand** the HMRC rules regarding trivial commutation payments for dependants' pensions, including any differences from a standard trivial commutation payment
- **Explain** 'small lump sums' and how these can benefit pension schemes and members

### Syllabus

1. **Meaning of the Terms 'Trivial Commutation' and 'Small Lump Sums'**
  - 1.1 What is available under DB and DC schemes
  - 1.2 Advantages of this route for a member
  - 1.3 Advantages of this route for an employer/scheme
  - 1.4 Which benefits can be trivially commuted
2. **HM Revenue & Customs (HMRC) Rules and Terminology**
  - 2.1 Current maximum limits for small lump sums
  - 2.2 Importance of benefits in other pension arrangements
  - 2.3 Extinguishing rights to benefits in a scheme
  - 2.4 Nomination dates
  - 2.5 Commutation periods
  - 2.6 Establishing when a commutation can be classed as 'trivial' for uncrystallised and crystallised benefits
3. **Trivial Commutation Taxation Rules**
  - 3.1 Uncrystallised benefits
  - 3.2 Crystallised benefits
  - 3.3 Dependants' pensions

#### 4. **Small Lump Sums**

4.1 Relevant Accretion Rule

4.2 De Minimis Rule and why this rule was introduced

4.3 Payments by occupational pension schemes and public service schemes where a member has accrued rights across different related schemes under the small lump sum limit in each related scheme

### **Unit 3: Pension Schemes and Divorce**

#### **Aim**

To provide occupational pension scheme administrators with:

- An overview of divorce legislation
- The current options available for divorcing couples
- The rules and procedures for processing a divorce case

#### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** why the pensions and divorce legislation was introduced and **identify** the main Acts that constitute pensions and divorce legislation
- **Understand** the concept of "offsetting" with regard to pensions and divorce
- **Understand** the term "earmarking/attachment orders" and **identify** the problems that can occur when dealing with an earmarking case
- **Understand** the impact of "pension sharing" for pension scheme members and their ex-spouse/civil partners and how this differs from earmarking
- **Explain** the differences between a Pension Credit and Pension Debit
- **Understand** the administrative timescales for dealing with pension sharing divorce cases, including disclosure requirements
- **Understand** the implications of the implementation period for divorcing parties and the process for finalising the implementation of the pension share
- **Explain** the basic process to follow when dealing with a pension sharing case
- **Understand** the basic administration process for an earmarking case and **identify** common problems with forms and court orders received from the court

#### **Syllabus**

1. **Impact of Divorce on a Member's Pension Benefits**
2. **Legislation Impacting on Pensions and Divorce**
  - 2.1 Matrimonial Causes Act 1973
  - 2.2 Family Law Act 1985
  - 2.3 Pensions Act 1995
  - 2.4 Welfare Reform and Pensions Act 1999



2.5 Civil Partnership Act 2019

2.6 Civil Partnership Act 2004

### 3. **Principles of “Offsetting” in Divorce**

- Why couples/civil partners might choose this option and the scheme administrator's role

### 4. **Impact of Pension Attachment Orders (Earmarking Orders) for Pension Scheme Members and Their Ex-Spouse/Civil Partners**

4.1 What is earmarking?

4.2 Disadvantages of earmarking

4.3 Importance of receiving a correctly completed court order and legal forms used in connection with earmarking

4.4 Tax issues with splitting benefits as set out in the court order (e.g., net annuity or gross annuity)

4.5 Differences with Scottish earmarking cases

### 5. **Impact of Pension Sharing Court Orders for Pension Scheme Members and Their Ex-Spouse/Civil Partners**

5.1 What is pension sharing, and the information that must be given to a member and their spouse/civil partner upon request regarding divorce

5.2 What is a Pension Credit and Pension Debit

5.3 Difference between internal and external credits

5.4 Importance of receiving a correctly completed court order and legal forms used in connection with pension sharing

5.5 Importance of a decree absolute in the pension sharing process

5.6 Different approaches for DB and DC schemes when:

- Calculating the initial Cash Equivalent Transfer Value (CETV) in the information-only process and the final CETV in the implementation process, and reasons why these valuations differ
  - Implementing, paying, and discharging the CETV to the ex-spouse's/civil partner's preferred arrangement
  - Discharging liabilities for both member and ex-spouse/civil partner
  - Recording the member's and ex-spouse's/civil partner's benefits on the system
- 5.7 Terms “Transfer Day” and “Valuation Day” and their importance in the implementation process
- 5.8 Differences with Scottish pension sharing cases
- 5.9 Disclosure requirements
- 5.10 Administrative processes, timescales, and penalties
- 5.11 How pension sharing can go wrong

### 6. **HM Revenue & Customs Rules (Past and Present)**

6.1 Issues to be aware of for members with legacy protections and their impact on divorce and pension benefits

## Unit 4: Pension Transfers in Occupational Pension Schemes

### Aim

To help occupational pension scheme administrators understand HM Revenue & Customs (HMRC) rules and regulations regarding pension transfers, both within the UK and overseas. The unit explains how improper or fraudulent transfers have been highlighted by HMRC and the process scheme administrators should follow to ensure a transfer payment out of the scheme is valid and does not become an unauthorised payment with subsequent tax penalties for both the scheme and member.

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** what constitutes a transfer within HMRC rules and regulations for occupational pension schemes
- **Understand** the main types of pension schemes that accept transfers in
- **Understand** the legislation concerning the transfer in and transfer out process of a member's accrued benefits
- **Identify** how 'wind-ups' can affect the Cash Equivalent Transfer Value (CETV) when quoting a member's benefits
- **Understand** what a CETV is and how it relates to transfers out, including disclosure requirements and legislative timescales
- **Identify** the different timescales for paying a transfer out of an occupational DC scheme and an occupational DB scheme
- **Understand** what is meant by an improper or fraudulent transfer, **identify** the warning signs, and know the legislation under which compliance is required
- **Understand** the HMRC rules regarding improper transfers
- **Understand** what constitutes a Recognised Overseas Pension Scheme (ROPS) and **explain** what is required if a member wants to transfer benefits to the UK from an overseas scheme
- **Understand** the Transfer Regulations effective from 30 November 2021, with regard to due diligence checks, amber, and red flags

### Syllabus

1. **Background to Pension Transfers**
  - 1.1 What is a transfer and why people transfer
  - 1.2 Types of pension transfer available:
    - Registered pension scheme to another (or to an unregistered scheme)
    - Bulk transfers
    - Divorce pension credits

- Overseas
- 2. **Legislation Affecting Pension Transfers**
  - 2.1 Pension Schemes Act 1993
  - 2.2 Pensions Act 1995
  - 2.3 Occupational Pension Schemes (Transfer Values and Miscellaneous Amendments) Regulations 2003
  - 2.4 Pensions Act 2004
  - 2.5 Qualifying Recognised Overseas Pension Schemes (QROPS)
  - 2.6 Pensions Act 2015
- 3. **DB Pension Transfers (In and Out)**
  - 3.1 When a 'right' to a transfer out exists
  - 3.2 Cash Equivalent Transfer Values (CETV)
  - 3.3 Guarantee dates
  - 3.4 Timescales for transfer process
  - 3.5 DB scheme funding
  - 3.6 Disclosure requirements/whistleblowing and extension of timescales
  - 3.7 Transferring Guaranteed Minimum Pensions
  - 3.8 Warranty forms and obtaining receiving scheme details and other checks
  - 3.9 Considerations for transfers in
  - 3.10 Member advice
  - 3.11 DB to DC transfer requirements
- 4. **DC Pension Transfers (In and Out)**
  - 4.1 When a 'right' to a transfer out exists
  - 4.2 Transfer quotes and how they differ from a DB scheme transfer
  - 4.3 Timescales for transfer process
  - 4.4 Warranty forms and obtaining receiving scheme details and other checks
  - 4.5 Considerations for transfers in
- 5. **Winding Up of Pension Schemes**
  - 5.1 How a scheme's winding up can affect a member's CETV benefits
  - 5.2 Section 73 valuation and actuary's involvement
- 6. **Improper Transfers**
  - 6.1 Background to improper transfers (including Code of Practice)
  - 6.2 How to identify an improper transfer and ensure processes are robust (including examples of improper transfers)
- 7. **HMRC Rules for Transfers**
  - 7.1 Recognised transfers
  - 7.2 Transfers and unauthorised payments
  - 7.3 How a transfer can affect any Primary or Enhanced Protection held by a member
- 8. **Overseas Transfers**
  - 8.1 Background to Recognised Overseas Pension Schemes (ROPS)
  - 8.2 HMRC conditions to be a ROPS
  - 8.3 Recognised Overseas Pension Scheme

8.4 Double taxation agreements

8.5 Transferring to the UK from abroad and special considerations

## **Unit 5: Career Average Revalued Earnings Occupational Pension Schemes**

### **Aim**

To:

- Build on an occupational pension scheme administrator's knowledge of DB-type schemes
- Understand how a Career Average Revalued Earnings (CARE) pension scheme works
- Understand why this type of scheme has evolved

The unit also covers how benefits are calculated and why the methods can vary.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** what a CARE scheme is, how it differs from other occupational pension schemes, and why they became less popular but are being used again by employers
- **Identify** the key features and advantages and disadvantages of a CARE scheme
- **Understand** the impact of contracting out on CARE schemes
- **Identify** the methods of revaluation available for a CARE scheme
- **Calculate** a member's pension benefits from a CARE scheme, including revaluation

### **Syllabus**

1. **History of CARE Schemes**
  - 1.1 Pre-1970s
  - 1.2 1970s and high inflation
  - 1.3 Why the concept is being utilised again with revaluation
2. **How CARE Schemes Are Structured**
  - 2.1 Main features
  - 2.2 DB in structure
  - 2.3 Advantages and disadvantages of CARE schemes (for members and employers)
3. **Definitions for Benefit Calculations**
  - 3.1 Pensionable salary
  - 3.2 Accrual
  - 3.3 Revaluation
4. **Identifying and Updating CARE Schemes on Company Systems**

## Unit 6: Advanced Pension Commencement Lump Sum Rules (Including Scheme-Specific Protection)

### Aim

To provide occupational pension scheme administrators with:

- An understanding of the Pension Commencement Lump Sum (PCLS) principles for DB and DC pension schemes
- Knowledge of how to perform complex calculations involving legacy issues arising from the abolition of the Lifetime Allowance (LTA)

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Identify** when a member qualifies for scheme-specific protection of a PCLS
- **Explain** the consequences of paying a PCLS outside of HMRC conditions
- **Explain** the HMRC term "recycling" of a PCLS and provide examples
- **Distinguish** between the different types of protection and how a PCLS can be protected
- **Calculate** the maximum PCLS available for members qualifying for scheme-specific protection
- **Outline** the HMRC conditions for PCLS payment
- **Describe** the conditions to prevent the payment from being classed as unauthorised
- **Explain** the tax implications of paying a PCLS outside HMRC conditions

### Syllabus

1. **Background to Protection of Pension Commencement Lump Sums (PCLS)**
2. **Scheme-Specific Protection**
  - 2.1 Why scheme-specific protection may apply:
    - Inland Revenue limits prior to A-Day (2006) and Simplification changes
  - 2.2 How to check whether a member's PCLS qualifies for scheme-specific protection
  - 2.3 How to calculate a member's scheme-protected PCLS in a DC or DB scheme
3. **AVCs and Scheme-Protected PCLS**
  - 3.1 How to calculate a PCLS for a member with DC Additional Voluntary Contributions (AVCs) within a DB scheme
4. **HMRC Tax Implications for a Protected PCLS**
  - 4.1 HMRC conditions to ensure a PCLS does not become an unauthorised payment

## 5. Recycling of a PCLS

5.1 Why recycling of a PCLS can be classed as an unauthorised payment by HMRC

## Unit 7: Basic Pension Commencement Lump Sum Rules

### Aim

To provide occupational pension scheme administrators with:

- An understanding of the Pension Commencement Lump Sum (PCLS) entitlements available to a member from an occupational pension scheme
- The basic calculation process

The unit also covers issues that can arise while processing a member's PCLS.

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** the term Pension Commencement Lump Sum (PCLS) and the circumstances under which a PCLS can be paid
- **Identify** the maximum PCLS allowable under HMRC rules (tested against the Lump Sum Allowance, LSA, £268,275, post-6 April 2024)
- **Understand** how to calculate the maximum PCLS for a member due to retire from a DC scheme
- **Understand** the issues that may affect a PCLS payment and the effect of bridging pensions on PCLS payments
- **Understand** the impact of pension sharing court orders and how disqualifying pension credits can affect a PCLS payment
- **Understand** how the payment of DC Additional Voluntary Contributions can affect DB scheme PCLS payments
- **Calculate** the maximum PCLS available for a member in a DB scheme with DC Additional Voluntary Contributions
- **Understand** the implications of Flexi-Access Drawdown (FAD) and Uncrystallised Funds Pension Lump Sum (UFPLS) options as alternatives to a PCLS

### Syllabus

#### 1. Pension Commencement Lump Sum (PCLS) Overview

- 1.1 Meaning of the term PCLS
- 1.2 HMRC conditions for payment of a PCLS
- 1.3 Maximum PCLS allowable under HMRC rules (tested against LSA post-6 April 2024)
- 1.4 Entitlement to a PCLS
- 1.5 Calculation of a maximum PCLS for a DB and DC scheme within HMRC rules

1.6 Importance of checking scheme rules regarding entitlements to PCLS for members

2. **How Additional Voluntary Contributions (AVCs) Affect the Amount of PCLS Payable**

2.1 Effect of DC AVCs on a PCLS from a DB scheme

2.2 Treatment of a DC AVC when attached to a DB scheme, including the impact of Flexi-Access Drawdown (FAD) and Uncrystallised Funds Pension Lump Sum (UFPLS)

2.3 Calculation of the maximum PCLS allowable under HMRC rules if a DB scheme has DC AVCs

3. **Disqualifying Pension Credits**

3.1 Meaning of the term disqualifying pension credit

3.2 How a disqualifying pension credit can affect the maximum PCLS payable for a member

4. **Bridging Pensions**

4.1 Meaning of the term bridging pension

4.2 How the payment of a bridging pension could affect the maximum PCLS payable

5. **Contracted-Out Rights**

5.1 Relevance of Guaranteed Minimum Pensions and their impact on the PCLS available for a member

6. **HMRC Reporting Requirements**

6.1 When the payment of a PCLS must be reported

## **Unit 8: Reporting Requirements for Occupational Pension Schemes**

### **Aim**

To provide occupational pension scheme administrators with an overview of the main reports to be made to The Pensions Regulator and HM Revenue & Customs (HMRC) on a regular basis for particular events that occur in a scheme year.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** the scheme's responsibilities to report events throughout the scheme year
- **Understand** what an Event Report is and **explain** the Event Report process
- **Identify** the items that need to be reported
- **Outline** who needs the Event Report and the timescales for completion
- **Outline** the various forms required by HMRC for reporting and auditing purposes
- **Identify** the other main reports that need to be submitted to HMRC

- **Describe** what the HMRC Pension Scheme Return is used for
- **Understand** when to report Notifiable Events to The Pensions Regulator and the importance of this activity

## **Syllabus**

1. **HMRC Event Report**
  - 1.1 Background to the Event Report
  - 1.2 Responsibility for completion and company processes
  - 1.3 Timescales for completion
2. **HMRC Accounting for Tax Return (AFT)**
  - 2.1 Background to the AFT
  - 2.2 Responsibility for completion
  - 2.3 Timescales for completion
3. **HMRC Registered Pension Scheme Return**
  - 3.1 Background to the Registered Pension Scheme Return
  - 3.2 Responsibility for completion and company processes
  - 3.3 Timescales for completion
4. **HMRC End of Year Tax Returns (Self Assessment 970)**
  - 4.1 Background to SA970
  - 4.2 Information to be completed and company processes
  - 4.3 Deadlines for submission to HMRC
5. **Forms Required for Maintaining a Scheme (from HMRC)**
  - 5.1 Various forms required to maintain a scheme
  - 5.2 Background to "Information Required by Notice"
  - 5.3 Timescales for completion
6. **Registration for an Occupational Pension Scheme**
  - 6.1 Information required to register a scheme
  - 6.2 Responsibility and company processes
  - 6.3 Timescales for completion
7. **The Pensions Regulator (TPR) and Notifiable Events**
  - 7.1 Notifiable Events framework and events to be reported
  - 7.2 Notification framework and responsibilities for reporting events to TPR
  - 7.3 Penalties if TPR is not notified in a timely manner
  - 7.4 Company processes
8. **TPR's Pension Scheme Return**
  - 8.1 Background to the TPR Pension Scheme Return
  - 8.2 Responsibility for completion and company processes
  - 8.3 Timescales for completion
9. **TPR's Section 72A Report**
  - 9.1 Background to TPR Section 72A Report and its use



9.2 Responsibility for completion and company processes

9.3 Timescales for completion

## Unit 9: Revaluation and Pension Increases for Defined Benefit Pension Schemes

### Aim

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. The unit also 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.

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** the rules for revaluation of deferred benefits for a DB scheme
- **Identify** the main components of a deferred pension in a formerly contracted-out DB scheme and **calculate** a deferred pension at the date of leaving
- **Understand** how the revaluation exercise differs for each component and the statutory revaluation requirements for a deferred pension
- **Calculate** the pension at retirement for deferred members who left the scheme prior to the GMP payment age, including the Guaranteed Minimum Pension (GMP) and excess benefits
- **Understand** 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
- **Calculate** a pension increase for a member whose pension is in payment

### Syllabus

1. **Regulations from 1975 to Present and Options Available for a Member Leaving the Scheme Before Normal Retirement Date**
2. **Calculating a Member's Deferred Pension at the Date of Leaving the Scheme**
3. **Breaking a Pension Down into Its Different Components for Revaluation**
  - 3.1 Knowledge of the various legislative components of a member's pension benefits
  - 3.2 Understanding the various terms and their meanings in relation to revaluing a member's pension
  - 3.3 Contracting-out revaluation
  - 3.4 Excess benefit revaluation
4. **Basic Understanding of Anti-Franking and Its Impact on Pension Calculations**

5. **How a Member's Pension Increases in Retirement**
  - 5.1 Different pension components in a member's pension benefit
  - 5.2 Statutory pension increase rates during retirement
6. **Mechanics and Background Information of Increasing a Member's Pension in Retirement**
  - 6.1 Pension increases on benefits prior to GMP payment age
  - 6.2 Pension increases on benefits post-GMP payment age
7. **Maximum Limits on Pension Increases (Benefit Crystallisation Event 3, Pre-6 April 2024)**
  - 7.1 Basic understanding of a Benefit Crystallisation Event 3

## **Unit 10: Protecting a Member's Pension Benefits from Tax Charges**

### **Aim**

To provide occupational pension scheme administrators with a comprehensive understanding of the protections available to pension schemes and their members from HMRC tax charges following the removal of the Lifetime Allowance (LTA) and the introduction of the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA), and Overseas Transfer Allowance (OTA).

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** the purpose of HMRC protections for members and schemes under the LSA, LSDBA, and OTA framework and their impact on members' benefits
- **Explain** the implications of protections for occupational pension scheme administrators when calculating members' tax-free lump sums and death benefits
- **Understand** the eligibility criteria for members applying for transitional protections, such as the Transitional Tax-Free Amount Certificate (TTFAC), and the role of HMRC certificates in managing LSA, LSDBA, and OTA
- **Calculate** a member's available LSA, LSDBA, and OTA, incorporating any transitional protections or prior benefit crystallisations
- **Understand** protections available for Pension Commencement Lump Sums (PCLS) under the LSA and **identify** rules for scheme-specific lump sum protections
- **Understand** how lump sum death benefits are protected under the LSDBA and the tax implications for benefits exceeding the allowance
- **Outline** protections available for members' benefits in cases of death, divorce, overseas service, and retirement before the Normal Minimum Pension Age (NMPA)

### **Syllabus**

1. **Purpose of Protection Measures Post-LTA Removal**

- Reasons for introducing protections following the abolition of the LTA
  - Overview of the LSA (£268,275), LSDBA (£1,073,100), and OTA (£1,073,100) and their role in limiting tax-free lump sums
  - Impact of protections on tax-free lump sums and death benefits
2. **Tax Exemptions Available Under LSA, LSDBA, and OTA Protections**
- Tax exemptions for lump sums within the LSA (e.g., PCLS, UFPLS tax-free portions)
  - Exemptions for lump sum death benefits within the LSDBA for deaths before age 75
  - Taxation of lump sums exceeding LSA, LSDBA, or OTA at the recipient's marginal income tax rate
3. **Features of Transitional Protections (e.g., TTFAC)**
- 3.1 Eligibility criteria for applying for a Transitional Tax-Free Amount Certificate (TTFAC) before the first Relevant Benefit Crystallisation Event (RBCE) post-6 April 2024
  - 3.2 Rules and regulations governing TTFAC, including its impact on LSA, LSDBA, and OTA calculations
  - 3.3 HMRC certification process and documentation for transitional protections
  - 3.4 Retaining and losing TTFAC, including revocation conditions
  - 3.5 Impact of TTFAC on pension debits from pension sharing on divorce
  - 3.6 TTFAC and transfers to UK registered pension schemes
4. **Features of Fixed Protection (e.g., Fixed Protection 2014, 2016)**
- 4.1 Eligibility criteria for members with Fixed Protection (e.g., £1.5m for Fixed Protection 2014, £1.25m for 2016, applicable until 5 April 2025)
  - 4.2 Rules and regulations for applying Fixed Protection to LSA, LSDBA, and OTA
  - 4.3 HMRC certificates for Fixed Protection and their role in increasing LSA/LSDBA/OTA limits
  - 4.4 Cessation of Fixed Protection due to benefit accrual or other disqualifying events
  - 4.5 Relevant Benefit Crystallisation Events (RBCEs) for Defined Benefit (DB) and Defined Contribution (DC) schemes, including calculation methods

## **Unit 11: Introduction to Pension Scheme Discontinuance**

### **Aim**

To provide occupational pension scheme administrators with an overview of why occupational pension schemes can close to future accrual of benefits for members and become a scheme in discontinuance. The unit also covers the main steps for a scheme that starts to discontinue and the information requirements to be given to members within the correct timescales.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Explain** what is meant by the term 'discontinuance' in relation to an occupational pension scheme and the role of the Independent Trustee
- **Understand** the background to the discontinuance of an occupational pension scheme and **identify** the reasons why a scheme may discontinue and the key dates
- **Identify** the key people involved in the discontinuance of an occupational pension scheme and the information requirements for members in a discontinuing scheme
- **Identify** the main stages in the discontinuance process
- **Outline** the meaning of a Section 75 debt
- **Outline** the significance of a priority order
- **Explain** the term 'buy-out'
- **Describe** the role of other parties in the discontinuance process, including the Pension Protection Fund and the Financial Assistance Scheme
- **Understand** the importance of the Fraud Compensation Fund and who compensation is available for if a shortfall in scheme assets is due to fraud or theft

## Syllabus

1. **Four Statutes of a Pension Scheme**
  - 1.1 Definition of:
    - Open scheme
    - Closed scheme
    - Frozen scheme
    - Discontinuing
2. **Overview of a Scheme Discontinuance**
  - 2.1 What is a discontinuance?
  - 2.2 Why might a scheme discontinue?
  - 2.3 What is company insolvency?
  - 2.4 Discontinuance date and trigger events
  - 2.5 Information requirements for members
  - 2.6 Timescales
  - 2.7 Key dates in a discontinuance
3. **Important Roles Involved in Scheme Discontinuance**
  - 3.1 Independent Trustee
  - 3.2 Scheme Trustee
  - 3.3 Scheme Actuary
  - 3.4 Scheme Auditor

- 3.5 Employer
- 3.6 Lawyer
- 3.7 Administrator (scheme and independent)
- 4. **Process of Discontinuing a Pension Scheme**
  - 4.1 Scheme data gathering
  - 4.2 Payment of pensions in the discontinuance period
  - 4.3 Cleansing the data
  - 4.4 Tracing members
  - 4.5 Reconciling Guaranteed Minimum Pensions
  - 4.6 Valuing scheme liabilities
- 5. **Understanding Valuation Legislation**
  - 5.1 Section 75 Employer Debts and the Pensions Act 1995 and their impact on discontinuance
  - 5.2 Thresholds and timescales for Section 75 Employer Debts and deficits in scheme funding
  - 5.3 Time periods and benefits relevant to employers who have become insolvent
  - 5.4 Compromise agreements and insolvent employers
- 6. **Overview of Section 73 Priority Orders and Allocation of Assets**
  - 6.1 Orders up to 5 April 1997
  - 6.2 Orders from 6 April 1997 to 9 May 2004
  - 6.3 Orders from 10 May 2004 to 5 April 2005
  - 6.4 Orders post-6 April 2005
- 7. **Post-Discontinuance Benefits**
  - 7.1 Overview of the Financial Assistance Scheme
  - 7.2 Overview of the Pension Protection Fund
  - 7.3 Overview of the Fraud Compensation Fund
  - 7.4 Buy-out quotations
  - 7.5 Options letters for members
  - 7.6 How benefits are bought out
  - 7.7 Run-off
  - 7.8 Consolidation
  - 7.9 Timescales

## **Unit 12: Underfunded Schemes in Discontinuance**

### **Aim**

To provide occupational pension scheme administrators with an overview of the Pension Protection Fund (PPF), including its history and how a scheme meets the qualifying conditions for entry. The unit also includes the procedures for a scheme going through the PPF assessment period and outlines the benefits a member may receive from the PPF, along with a brief overview of the Financial Assistance Scheme.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** the background to the Pension Protection Fund (PPF) and **identify** the qualifying conditions for the PPF to assume responsibility for a scheme and the types of schemes eligible
- **Understand** the process when a scheme enters the assessment period and:
  - **Identify** the importance of the Section 120 Notice
  - **Identify** the main levels of compensation payable by the PPF
  - **Identify** the cut-off date for insolvency events to qualify for the PPF
- **Understand** the scheme administrator's role in preparing the scheme for entry into the PPF and ensuring members' data is accurate
- **Understand** the role of the Section 143 Valuation process during the PPF assessment period
- **Identify** when a scheme would be eligible to enter the Financial Assistance Scheme
- **Identify** the current levels of benefits payable in the Financial Assistance Scheme

## Syllabus

1. **Background to the PPF**
  - 1.1 History of the PPF
  - 1.2 Qualifying conditions for the PPF to assume responsibility for schemes
  - 1.3 Schemes eligible for entry into the PPF
  - 1.4 Explanation of a qualifying insolvency event
2. **What Happens When a Scheme Enters the PPF Assessment Period**
  - 2.1 What the Section 120 Notice is
  - 2.2 What happens in the PPF assessment period
  - 2.3 Roles of trustees, insolvency practitioners, and independent trustees
  - 2.4 Notifying members
  - 2.5 Restrictions on the scheme during the assessment period
  - 2.6 Reviewing advisers and scheme administrators, and reviewing the investment strategy
  - 2.7 Overview of the Specialist Administration Services Panel (SASP)
3. **Scheme Administrator's Role in the Assessment Period**
  - 3.1 Obtaining scheme data
  - 3.2 Checking and compiling admissible rules to ensure the scheme basis is correct
  - 3.3 PPF compensation levels for all scheme members, including pensioners, and the impact of the Hampshire Judgment
  - 3.4 Revaluing deferred members' benefits
  - 3.5 Section 75 Debt on the employer
  - 3.6 Data cleansing
  - 3.7 Tracing members and available tracing routes
  - 3.8 GMP reconciliations

- 3.9 Dealing with interim claims and the Section 138 "lower of" test
- 3.10 Discharging non-PPF benefits

#### 4. **Final Stages of the Assessment Period and the PPF's Decision**

- 4.1 Role of the Section 143 Valuation in the assessment period
- 4.2 PPF assessment of the scheme's suitability for the PPF
- 4.3 Transfer to the PPF and winding up of the scheme
- 4.4 End of the assessment period

#### 5. **Overview of the Financial Assistance Scheme**

- 5.1 Brief history of the FAS
- 5.2 Qualifying conditions for a scheme to be eligible
- 5.3 Current levels of benefits available

### **Unit 13: Unauthorised Payments for Registered Pension Schemes**

#### **Aim**

To provide occupational pension scheme administrators with an overview of the legislation surrounding authorised and unauthorised payments, the situations where unauthorised payments can occur, and the tax charges that could apply to members and trustees. The unit also outlines the reporting requirements for unauthorised payments to HM Revenue & Customs (HMRC).

#### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** what constitutes an unauthorised payment, how they occur, and **identify** the categories of unauthorised payments for members and employers
- **Understand** the taxation of unauthorised payments, **identifying** the different tax charges and circumstances when they might occur
- **Understand** the difference between the member's unauthorised payments charge, the member's unauthorised payments surcharge, and when the scheme sanction charge applies
- **Calculate** taxation of unauthorised payments, including:
  - Taxation on unauthorised payments
  - Unauthorised member's payments charge
  - Unauthorised member payments surcharge
  - Scheme sanction charge levied by HMRC
- **Understand** the regulatory requirements for communicating with members about unauthorised payments and how to ensure compliance

#### **Syllabus**

##### 1. **Definition of an Unauthorised Payment**

- 1.1 Legislation introducing and affecting unauthorised payments

- 1.2 Types of authorised and unauthorised payments (member and employer)
- 1.3 Areas where an unauthorised payment might occur
2. **Unauthorised Member Payment Taxation Charge**
  - 2.1 Rules surrounding a member payment taxation charge
  - 2.2 How to calculate an unauthorised member payment charge
3. **Unauthorised Member Payment Taxation Surcharge**
  - 3.1 Rules surrounding a member payment taxation surcharge
  - 3.2 Surcharge threshold and testing to see if it has been exceeded
  - 3.3 Surcharge period and reference date
  - 3.4 Calculating the unauthorised member payment surcharge
4. **Scheme Sanction Taxation Charge**
  - 4.1 Rules surrounding a scheme sanction taxation charge
  - 4.2 How to calculate the scheme sanction charge
  - 4.3 How the scheme sanction charge can be reduced
  - 4.4 Benefits the scheme sanction charge applies to
  - 4.5 How HMRC can give relief to schemes from paying the scheme sanction charge
5. **Reporting Unauthorised Payments**
  - 5.1 To HMRC
  - 5.2 To the member and other relevant parties

## **Unit 14: Overview of Automatic Enrolment**

### **Aim**

To provide occupational pension scheme administrators with an understanding of why the Government introduced a national form of savings for those with low to medium earnings to encourage retirement savings. The unit covers how Automatic Enrolment is implemented and who is involved, along with the duties of employers and the processes required before deducting contributions from jobholders.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** the background to Automatic Enrolment
- **Understand** the basic requirements to be a Qualifying Workplace Scheme and the impact of prescribed Quality Tests for occupational pension scheme structures:
  - Defined Contributions
  - Defined Benefits
  - Career Average Revalued Earnings (CARE) schemes
- **Understand** the major criteria regarding Automatic Enrolment and Re-enrolment for employers



- **Understand** the prescribed process for an employer when an eligible jobholder wishes to opt out
- **Outline** the main organisations involved in Automatic Enrolment
- **Describe** the role of The Pensions Regulator in monitoring the Automatic Enrolment process and the penalties for failing to follow the required process

## Syllabus

1. **Background and History of Automatic Enrolment**
  - 1.1 Background to Automatic Enrolment and why it was introduced
  - 1.2 Vehicles that can be used to achieve Automatic Enrolment
2. **Overview of Automatic Enrolment**
  - 2.1 Criteria for Automatic Enrolment
  - 2.2 Employer staging dates
  - 2.3 Implementation process for Automatic Enrolment for:
    - DC schemes
    - DB schemes, including CARE schemes
    - Hybrid schemes
    - Cash balance schemes
  - 2.4 Process for Automatic Enrolment for employers and employees:
    - Active membership
    - Members opting out of the Automatic Enrolment process
    - Qualifying and non-qualifying jobholders and opting in
    - Existing members of qualifying schemes
    - Employer's postponement of Automatic Enrolment
    - Re-enrolment
3. **Overview of Qualifying Workplace Scheme Requirements**
  - 3.1 Meaning and criteria required for an occupational pension scheme to become a Qualifying Workplace Scheme:
    - DC schemes
    - DB schemes, including CARE schemes
    - Hybrid schemes
    - Cash balance schemes
    - Requirements for a salary sacrifice scheme
  - 3.2 Reference Scheme Test and Test Scheme Standard (pre-April 2016) and Cost of Accruals Test (post-April 2016)

- 3.3 Contributions and contribution phasing within transitional periods
- 3.4 Investments and default investment option availability for members

#### 4. **Organisations and Their Involvement in Automatic Enrolment**

- 4.1 Department for Work and Pensions
- 4.2 The Pensions Regulator

### **Unit 15: Short Service Refund Lump Sums for Occupational Pension Schemes**

#### **Aim**

To provide occupational pension scheme administrators with an understanding of the meaning of a Short Service Refund Lump Sum (SSRLS) for occupational pension schemes and the options available for members within HM Revenue & Customs (HMRC) conditions for payment.

#### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** what an SSRLS is and the circumstances under which it can be paid, including salary sacrifice schemes and timescales
- **Understand** other options available for a member leaving the scheme before retirement
- **Understand** the tax rules for SSRLS and their impact on the payment, including tax thresholds
- **Understand** how contracted-out benefits affect the SSRLS payment, including Contributions Equivalent Premiums and Certified Amounts
- **Understand** how Scheme Administration Member Payments (SAMPs) affect the SSRLS amount when refunding contributions
- **Calculate** an SSRLS incorporating contracted-out benefits and a SAMP

#### **Syllabus**

1. **Regulations Surrounding Early Leavers from a Pension Scheme**
  - 1.1 Legislation concerning vested rights
  - 1.2 Rights and options for early leavers
2. **Regulations Surrounding Short Service Refund Lump Sums**
  - 2.1 Entitlement to a refund
  - 2.2 How salary sacrifice affects refunds
  - 2.3 Timescales and disclosure requirements
  - 2.4 Taxation of refund payments
  - 2.5 Scheme Administration Member Payments (SAMP)
  - 2.6 Differences between DC and DB refunds
3. **Contracted-Out Rights**
  - 3.1 How contracting out impacts a member's refund payment
  - 3.2 Contributions Equivalent Premium

3.3 Certified Amount

3.4 Offsetting the Certified Amount with SAMPs

## **Unit 16: Introduction to Occupational Pension Scheme Death Benefits**

### **Aim**

To provide occupational pension scheme administrators with an overview of the different types of lump sum death benefits and dependants'/civil partners' pensions available and HM Revenue & Customs conditions for their payment to a member's dependants or legal personal representative.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** the death benefit options available following the death of a member/pensioner in an occupational pension scheme
- **Describe** the occupational pension scheme rules and options available following the death of a member in:
  - Death in service
  - Death in deferment
  - Death in retirement
- **Explain** the definition of a dependant and the restrictions on a dependant's pension
- **Understand** the impact on a death benefit payment for a member who died while still a member and has contracted-out rights within their accrued pension benefits
- **Outline** HMRC timescales for payment of death benefits to a member or pensioner

### **Syllabus**

1. **Why Administrators Should Always Check the Rules of the Pension Scheme**
  - 1.1 HMRC rules and their application to occupational pension schemes
  - 1.2 Scheme rules may differ from HMRC rules
  - 1.3 Terminology used in scheme rules may differ from the HMRC Pensions Tax Manual
2. **Lump Sum Death Benefit Payment Timescales**
  - 2.1 Notification from various parties
  - 2.2 Two-year timescales and penalties
3. **Importance of Expression of Wish/Nomination Forms**
  - 3.1 Trustee discretion
  - 3.2 Inheritance Tax relief
4. **Names of the Different HMRC Lump Sum Death Benefits Available**

5. **Features of the Main Lump Sum Death Benefits**
  - 5.1 Different types of lump sums, including Defined Benefit Lump Sum (DBLS), Uncrystallised Funds Pension Lump Sum (UFPLS), and Flexi-Access Drawdown (FAD)
  - 5.2 Type of scheme the payment can be made from
  - 5.3 Amount or age restrictions on payments to beneficiaries
  - 5.4 Common methods of calculating lump sums payable (e.g., multiple of salary, fund value)
6. **Dependants' Pensions**
  - 6.1 HMRC definition of dependant
  - 6.2 Restrictions on paying a dependant's pension
  - 6.3 Financial dependence and mutual dependence
  - 6.4 Scheme-specific definitions
  - 6.5 Children's pensions
  - 6.6 Dependants' pension rules (scheme rules, maximum amounts, restrictions, types of pensions available)
  - 6.7 Rules surrounding spouses significantly younger than the member
  - 6.8 Nominees and successors
7. **Contracted-Out Rights and Their Impact on Dependants' Pensions**
  - 7.1 Rules regarding the payment of widow's/widower's GMP on death
8. **Death in Deferment**
  - 8.1 Dependants' pension
  - 8.2 Lump sum benefits available
9. **Administration Issues and Timescales**
  - 9.1 Lump Sum and Death Benefit Allowance (LSDBA)
  - 9.2 Introduction of the LSDBA and its purpose
  - 9.3 Calculating and managing LSDBA usage
  - 9.4 Practical implications and planning for LSDBA

## **Unit 17: The Annual Allowance**

### **Aim**

To provide an overview of the Annual Allowance, including its background, key features of the legislation, and how to calculate a member's entitlement. The unit explains Pension Input Periods (PIP) and Pension Input Amounts (PIA), carry forward provisions, exemptions from the Annual Allowance test, disclosure requirements, and rules regarding the scheme paying the Annual Allowance charge.

### **Learning Outcomes**

On successful completion of this unit, candidates will:

- **Understand** why the Annual Allowance was introduced and why it has been significantly reduced

- **Understand** the impact on the Annual Allowance if the Money Purchase Annual Allowance (MPAA) is triggered
- **Calculate** a Pension Input Amount (PIA) for:
  - A DB scheme member
  - A DC scheme member
- **Identify** the key features of carry forward provisions and **demonstrate** how a member can use them
- **Identify** circumstances when an Annual Allowance test is not applicable
- **Describe** the key timescales for disclosing information to a member and what must be disclosed
- **Describe** the key features of the "scheme pays" provisions for the Annual Allowance charge

## Syllabus

1. **Background to the Annual Allowance**
  - Why it was introduced and recent history, including reasons for the reduction
2. **Pension Input Period (PIP)**
  - What is a PIP and how to identify it for a member of an occupational pension scheme
3. **Pension Input Amount (PIA)**
  - What is the PIA and how to calculate it for an occupational pension scheme member (covering both DB and DC schemes)
  - Including additions and subtractions from the closing value
4. **Carry Forward Provisions**
  - How they affect a member's Annual Allowance figure
5. **Impact of Money Purchase Annual Allowance Rules**
6. **Exemptions to the Annual Allowance Test**
7. **Disclosure Requirements Surrounding the Annual Allowance**
8. **Annual Allowance Charge**
  - Amount of the charge and how it can be paid, including the "scheme pays" option and rules

## Unit 18: Introduction to Investment Regulated Pension Schemes

### Aim

To provide Investment Regulated Pension Scheme (IRPS) administrators with an introduction to schemes commonly known as Small Self-Administered Schemes (SSAS) and Self-Invested Personal Pensions (SIPPs), including current practices and their evolution. The unit covers the current legislative status and differences between the two types of schemes.

### Learning Outcomes

On successful completion of this unit, candidates will:

- **Understand** the roles and duties of key stakeholders in an Investment Regulated Pension Scheme (IRPS)
- **Understand** the different roles and responsibilities in the regulatory regime
- **Identify** the different types of governing documentation connected with IRPS and **explain** their purpose
- **Identify** the main features of Small Self-Administered Schemes (SSAS)
- **Identify** the main features of Self-Invested Personal Pension Schemes (SIPPs)
- **Describe** the property and lending rules and how they differ between a SIPP and an SSAS
- **Explain** the differences between SSAS and SIPP schemes
- **Outline** the advantages and disadvantages of transferring to a SIPP
- **Identify** the benefits available with SSAS and SIPP schemes and **explain** how they are paid
- **Understand** what Connected Party Transactions are and how they should be treated
- **Understand** HMRC reporting requirements for SSAS and SIPP schemes

### Syllabus

1. **Key Stakeholders**
  - 1.1 Role and duties of different trustees
  - 1.2 Role and duties of the scheme administrator
  - 1.3 Role and duties of the SIPP operator
  - 1.4 Role and duties of the SSAS sponsoring employer
  - 1.5 Beneficiaries
  - 1.6 The "three hats"
2. **Regulatory Regime**
  - 2.1 Role of The Pensions Regulator
  - 2.2 Role of HM Revenue & Customs

- 2.3 Role of the Financial Conduct Authority
- 2.4 Disclosure and making complaints
- 3. **Governing Documentation**
  - 3.1 Definitive Trust Deed and Rules and constituent parts
  - 3.2 Announcement Notice
  - 3.3 Member Agreement (including Terms and Conditions of the scheme)
- 4. **Introduction to Small Self-Administered Schemes (SSAS)**
  - 4.1 Brief history and main simplification changes
  - 4.2 Establishment
  - 4.3 Key features
  - 4.4 Pensions Act 1995 exemptions and additional requirements when all members are not trustees
  - 4.5 Principle of the common pooled fund
  - 4.6 Wind-up
- 5. **Introduction to Self-Invested Personal Pensions (SIPPs)**
  - 5.1 Brief history and main simplification changes
  - 5.2 Establishment
  - 5.3 Key features and governance
  - 5.4 Structure and comparison with normal personal pension plans
  - 5.5 Eligibility
  - 5.6 FCA regulatory requirements
- 6. **Comparison Between SSAS and SIPPs**
  - 6.1 Occupational/personal
  - 6.2 Membership
  - 6.3 Trusteeship
  - 6.4 Investment flexibility and choice
- 7. **Investment Options**
  - 7.1 Trustee bank account/pooled bank accounts
  - 7.2 Investment choices, particularly loans/property
  - 7.3 Taxable property
  - 7.4 Scheme borrowing
- 8. **Accumulating Funds**
  - 8.1 Contributions and tax relief methods
  - 8.2 Transfers
- 9. **Connected Party Transactions**
  - 9.1 What constitutes a connected party?
  - 9.2 Why trustees must be careful in such circumstances
  - 9.3 Consequences of getting it wrong
- 10. **Benefits**
  - 10.1 Retirement
  - 10.2 Death considerations
  - 10.3 Annuities

10.4 Flexi-Access Drawdown (FAD)

10.5 Uncrystallised Funds Pension Lump Sum (UFPLS)

10.6 Protection

10.7 Liquidity considerations, differing from other DC schemes

10.8 Unauthorised payments

11. **Reporting**

11.1 Registering an SSAS

11.2 Annual reporting

11.3 Event reporting