

Protecting a Member's Pension Benefits from Tax Charges

The Main Aim(s) of this unit:

The aim of this Unit is to provide occupational pension scheme administrators with an overview of the different types of protection that are available to pension schemes and their members from Her Majesty's Revenue and Customs (HMRC) tax charges.

The learner will need to know and understand:

Why the protection measures were introduced.
Understand the tax exemptions available for members who use this protection.
The features of Primary Protection: <ul style="list-style-type: none">• Eligibility criteria.• Rules and Regulations.• Her Majesty's Revenue and Custom (HMRC) Certificates and Lifetime Allowance factors.• Retaining and losing Primary Protection.• Primary Protection and the impact on pension debits for pension sharing on divorce cases.• Primary Protection and the impact on transfers to UK registered pension schemes.
The features of Enhanced Protection: <ul style="list-style-type: none">• Eligibility criteria.• Rules and Regulations.• HMRC Certificates and Lifetime Allowance factors.• Cessation of Enhanced Protection.• Relevant Benefit Accrual test for Defined Benefits and Defined Contribution schemes, how it works and its use in calculations.• Enhanced Protection with dormant Primary Protection and why an individual might elect to have both Enhanced and Primary Protection.
The features of Fixed Protections: <ul style="list-style-type: none">• Eligibility criteria.• Rules and Regulations.• HMRC Certificates.• Cessation of Fixed Protections.• Relevant Benefit Accrual test for Defined Benefits and Defined Contribution schemes, how it works and its use in calculations.

The Rules and Regulations enabling members and pension schemes to protect:

- Pension Commencement Lump Sums.
- Death Benefit Lump sums.
- Special Early Retirement ages.
- Benefits arising from a period of overseas service.
- Benefits arising from a divorce (pre and post 6 April 2006).

HMRC information and reporting requirements and timescales.

Information requirements for members and third parties and timescales.

The Learning Outcomes for this unit:

On successful completion of this unit the learner will:

1. Know why HMRC introduced protection for member's and schemes. Understand the impact of protection on member's benefits.
2. Explain the impact of protection for occupational scheme administrators when calculating a member's benefits.
3. Know the criteria needed for members who elect to take Primary, Enhanced or Fixed Protections and why HMRC certificates are needed for members that fall into this category.
4. Be able to calculate a members own Personal Standard Lifetime Allowance in conjunction with a Protection certificate.
5. Know what protection is available for Pension Commencement lump sums and identify the rules regarding "scheme protection" of a Pension Commencement lump sum.
6. Understand how lump sum cash rights can be protected.
7. Know the protection available for member's benefits in the event of death whilst a member of the scheme.
8. Identify other areas where protection from tax charges have been allowed including divorce, overseas service and retirement prior to Normal Minimum Pension Age.

Assessment Method

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