



## **Member Benefit Events and Rules for Defined Contribution Pension Schemes**

The Main Aim of this Unit is:

To provide an overview to occupational pension scheme administrators of how a Defined Contribution scheme works in respect of a member who either leaves their company's service (or opts out of being a member of the pension scheme), retires from the company's service, dies whilst still a member of the company pension scheme or transfers their pension benefits out to another pension arrangement. It covers the monthly investment cycle of contributions that are paid into an occupational pension scheme for a Defined Contribution scheme.

It also details Her Majesty's Revenue and Customs rules that must be considered and govern these member events are calculated.

The learner will need to know and understand:

<b>How A Defined Contribution (DC) scheme works, how to become a member and the information a new member would expect to receive.</b>
<b>The options available to a member after joining a Defined Contribution scheme:</b> <ul style="list-style-type: none"><li>• Paying Additional Voluntary Contributions</li><li>• Transferring previous benefits into the scheme</li><li>• Fund Switching</li><li>• Changing member contribution levels</li></ul>
<b>Basic overview of the Annual Allowance</b> <ul style="list-style-type: none"><li>• Including a brief overview of Money Purchase Annual Allowance (MPAA)</li></ul>
<b>The options available for a member on leaving the scheme before retirement.</b>
<b>An overview of the rules allowing a member to take a refund of contributions and options available.</b>
<b>Overview of deferred benefits including Transfers Out to another pension arrangement for Defined Contribution (DC) scheme members.</b>

**The annuities available in the marketplace**

- Including those in relation to Scheme wind-up

**Overview of Annuity Rates and Annuity options,**

- Factors that can affect annuities
- Maximum Pension Commencement Lump Sum and residual pension choices on retirement
- Joint Life Annuities, Escalation, Guarantee Periods and Frequency of Payments.
- An example of the varying amounts a member may receive
- Enhanced and ill health annuities (including examples)

**Overview of Flexible retirement:**

- Uncrystallised Funds Pension Lump Sum (UFPLS)
- Flexi-access drawdown (FAD)

**How to test a member's Benefit Crystallisation Event (BCE) at retirement against the Lifetime Allowance.****The Defined Contribution Investment Cycle process**

- Overview of a monthly cycle of investing contributions
- Processing Contributions
- Loading the data (Contributions)
- Lifestyle switching
- Investment of the contributions
- Unitisation and how it works
- Reconciliation process

**The Disclosure Regulations timescales and administrative issues when issuing and quoting a member's Defined Contribution benefit choices.**

- PensionWise

**Overview of the small lump sum rules when a member retires from Defined Contribution Schemes.****Overview of the death benefits and information requirements for members and beneficiaries from a Defined Contribution Scheme.****An overview of how a members benefits can be affected on divorce including how Pension Attachment (also known as earmarking) and Pension Sharing Court Orders can impact on a member Defined Contribution benefits.****The Learning Outcomes for this unit:**

On successful completion of this unit learner's will:

1. Know the options available for a member on leaving the scheme before retirement
2. Know why a refund of contributions to be returned to a member is taxed by the scheme administrator.
3. Know when a member has a statutory right to transfer his fund to another pension

arrangement.

4. Know the annuity options available to a member at retirement;
  - a) a brief explanation of an annuity.
  - b) Identifying the choices available for a member when purchasing an annuity.
  - c) Identify when a member may qualify for an enhanced annuity.
5. Know the alternatives available at retirement and the main features of Flexi Access Drawdown (FAD) and Uncrystallised Funds Pension Lump Sum (UFPLS)
6. Know what benefits are available on the death of a member of the pension scheme and identify Her Majesty's Revenue & Customs conditions for the payment of Death Lump sums.
7. Know the importance of an Expression of Wish/Nomination form in a pension scheme.

**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.