Member Benefit Events and Rules for Defined Benefit Pension Schemes

The Main Aim of this Unit is:

To provide an overview to occupational pension scheme administrators of how a Defined Benefit 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 also details Her Majesty's Revenue and Customs rules that must be considered and govern how these member events are calculated.

The learner will need to know and understand:

How A Defined Benefit (DB) scheme works, how to become a member and the information a new member would expect to receive.
The options available to a member after joining a Defined Benefit scheme: • Paying Additional Voluntary Contributions • Transferring previous benefits into the scheme
Overview of the Annual Allowance
How to calculate a member's pension in a Defined Benefit scheme and the information needed for this calculation.
How to calculate the maximum allowable Pension Commencement Lump Sum (PCLS) and residual pension under Her Majesty's Revenue and Customs (HMRC) Rules
Overview of Retirement Options for Defined Contribution AVCs
How to calculate the benefits when a scheme pays a PCLS in addition to the pension (i.e. Civil Service schemes)
How to test a member's Benefit Crystallisation Event (BCE) at retirement against the Lifetime Allowance.
The basic levels of statutory pension increases which can apply to a member's Defined Benefit pension.

The basic rules regarding Trivial Commutation and small lump sums of a member's benefits at retirement.
Overview of Contracted-out rights and rules relating to Defined Benefit Schemes.
The options available to a member on leaving a scheme before retirement
An overview of rules allowing a member to take a refund of contributions or opt for deferred benefit
A brief overview of rules when a member wishes to consider transferring out their pensions benefits to another pension scheme
An overview of the death benefits and information requirements that may be available to a member or their dependants including an explanation on the use of Expression of Wish/nomination forms
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 benefits.

The Learning Outcomes for this Unit:

On successful completion of this unit learner's will:

1. Know the additional options available for a member when they have joined a registered pension scheme, particularly,

   a) the various ways available for operating Additional Voluntary Contribution contracts (added years or defined contribution) within an occupational defined benefits pension scheme.
   b) the ways in which a member's Transfer in of previous pension benefits can be incorporated into an occupational defined benefits pension scheme.

2. Know the HM Revenue & Customs (HMRC) conditions for a member on leaving the pension scheme before retirement.

3. Identify when a member may have a right to a refund of their own contributions.

4. Know when a member has a statutory right to transfer their accrued pension benefits to another pension arrangement.

5. Know the process for calculating a members benefits at normal retirement which should incorporate:

   a) A basic calculation for a member's Pension Commencement Lump Sum (PCLS) and reduced/residual pension.
   b) Identify the Lifetime Allowance amount for the current tax year.

6. Know the options available to a member on Divorce and be able to briefly explain one of the options available.

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.