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# **Advanced Diploma in Retirement Provision**

## **Qualification Specification 2018**

# Advanced Diploma in Retirement Provision

## QUALIFICATION AIM

This is a comprehensive and in-depth qualification for retirement benefit professionals.

The overall aim of the Advanced Diploma qualification is to provide the required professional knowledge, skills and understanding for an individual to undertake, after sufficient experience, a position as a pensions specialist within a self-administered scheme; a third-party administrator; a life assurance company; or within the consulting and advisory services.

## PREREQUISITES

There are no formal prerequisites for this qualification; either qualifications or knowledge and experience.

However, we would anticipate most candidates would be working in the field.

## QUALIFICATION STRUCTURE, COMPLETION CRITERIA AND ASSESSMENT

This qualification comprises eight units.

Four compulsory core units

- Understanding Retirement Provision; \*
- Regulation of Retirement Provision;
- Running a Workplace Pension Scheme;
- Financing and Investing for Retirement Provision;

\* or Foundation in International Employee Benefits

Plus a choice of three specialist option units at least one of which will be from Tier One

- Tier One
  - Defined Benefit Arrangements
  - Defined Contribution Arrangements.
- Tier Two
  - Reward and Retirement Provision
  - Managing International Employee Benefits
  - Taxation, Retail Investment and Pensions
  - Retail Advice and Regulation

Plus one compulsory unit

- Professionalism and Governance

Further details on the assessment of these units can be found in the relevant test specification <http://www.pensions-pmi.org.uk/qualifications-and-learning/advanced-diploma-in-retirement-provision/examination-test-specifications/> .

## TRANSITIONAL ARRANGEMENTS

Those who have passes/exemptions from previous versions of the syllabus can obtain credits in the current syllabus according to the relevant transitional arrangements. Details on transitional arrangements can be found here: <https://www.pensions-pmi.org.uk/qualifications-and-learning/advanced-diploma-in-retirement-provision/previous-syllabus/>

## SYLLABUSES

Each unit syllabus is presented in a form which is intended to give an indication of the depth and breadth of knowledge which is required. Each syllabus is divided into sections with an initial statement, or learning outcome, indicating what is expected of candidates and some notes in italics which give an indication of the way in which the initial statement should be interpreted. The initial statement and notes use 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:

- analyse** – interpret and examine in detail
- define** – make clear the exact meaning
- demonstrate** - explain or prove by reasoning/example
- describe** - give a detailed account of
- distinguish** - mark the difference between
- evaluate** – determine the value
- 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

*The examinations in 2018 will be based on the 2018 syllabuses and the law as it existed at 6 April 2017. An awareness of any significant changes after 6 April will be to a candidate's advantage.*

## RECOMMENDED STUDY TIME

In making an estimate we have referenced the approach used by Ofqual (the qualifications regulator). This is also known as Total Qualification Time (TQT) or Guided Learning Hours and is comprised of:

- a. Guided Learning Hours (GLH). This means time spent being taught by an instructor (and not necessarily face to face); and
- b. Study Time. This means self study/revision/reading

In order to be consistent with Ofqual requirements and to provide an estimation of study time we have calculated the following:

As GLH, as defined above, is not common we have estimated a total of 0 hours for this component. For study time we have estimated 1120-1280 hours. Therefore TQT = 1280 hours for this qualification.

The above estimates are based on evidence we have gathered from users of our qualifications, past experience and benchmarking exercises. The evidence we have gathered indicates that there is considerable variation within the overall TQT estimates as blended approaches are common with differing mixes of Guided Learning and other elements which contribute to TQT. These estimates are reviewed regularly.

## QUALIFICATION LEVEL

This qualification has not been formally benchmarked against the national framework but is broadly equivalent to a level 6 qualification.

## FEES

Fees for this qualification can be found on this page; <http://www.pensions-pmi.org.uk/qualifications-and-learning/advanced-diploma-in-retirement-provision/dates-fees-and-forms/> and here in the Qualification fees document : <http://www.pensions-pmi.org.uk/documents/qualification-fees-2018/>

## **LINKS WITH OTHER QUALIFICATIONS AND PROGRESSION**

When completing the Advanced Diploma, candidates may also achieve Diploma qualifications along the way:

### Diploma in Retirement Provision (DRP)

Candidates who pass

- Understanding Retirement Provision;
- Regulation of Retirement Provision;
- Running a Workplace Pension Scheme;
- Financing and Investing for Retirement Provision;

and either

- Defined Benefit Arrangements; or
- Defined Contribution Arrangements.

will be awarded the Diploma in Retirement Provision (DRP)

### Diploma in Regulated Retirement Advice (DRRA)

Candidates who pass

- Taxation, Retail Investment and Pensions
- Retail Advice and Regulation

will be awarded the Diploma in Regulated Retirement Advice (DRRA)

### Diploma in Employee Benefits and Retirement Savings (DEBRS)

Candidates who pass

- Understanding Retirement Provision;
- Regulation of Retirement Provision; and
- Reward and retirement Provision

will be awarded the Diploma in Employee Benefits and Retirement Savings (DEBRS).

## **MEMBERSHIP ENTITLEMENT**

Candidates undertaking the qualification will need to be at least a Student Member of the PMI.

Candidates completing the qualification successfully will be eligible to seek election as Associate Members of the PMI with the designatory initials APMI.

## CONSTITUENT CORE UNITS

### CORE UNIT 1A - UNDERSTANDING RETIREMENT PROVISION

#### Aim:

To provide an introductory overview of retirement provision in the UK including an appreciation of:

- how workplace pensions have developed, the different types of workplace provision and how they sit alongside State pension provision
- the key features of automatic enrolment, trust and contract-based provision
- the roles and responsibilities of those involved in running workplace pensions
- personal savings and the options for retirement saving
- employee engagement with retirement provision.

1. **demonstrate an understanding** the origins and overview of retirement provision

**explain** the following aspects:

- *State*
- *workplace*
- *individual*

2. **demonstrate an understanding** of the context and the factors which influence the development of retirement provision in the UK

**identify** changes to State pension age, State benefits, historic and forthcoming legislation

**explain** the options available to access pension saving

**define** demographics

**outline** changing social trends

**describe** balancing work, retirement and income

**explain** different income needs in retirement and options

3. **describe** the main State retirement benefits and other benefits an individual might receive from the State and **explain** how retirement benefits are calculated

**analyse** the features of:

- *the new State Pension*
- *Basic State pension*
- *State Second Pension (S2P)*
- *Pensions Credit*

**outline** the features of other State benefits

4. **describe** the role of the key parties involved in retirement provision, the operation of a workplace pension scheme, their interaction and any conflicts of interest

**analyse** and distinguish between the roles of the following:

- *Government departments*
- *regulatory bodies*
- *advisers (including consultants, legal advisers, investment advisers, scheme actuary and auditors)*
- *members and their dependants*
- *employers/pensions manager, payroll and human resources*
- *secretary to the trustees*
- *service providers, including administrators*
- *investment managers*
- *insurer*

5. **identify** the roles and functions of the bodies that regulate pension schemes and provide assistance or protection to members and employers

**outline** the role and powers of:

- *The Pensions Regulator (TPR)*
- *Department for Work and Pensions (DWP)*
- *HM Revenue & Customs (HMRC)*
- *Pensions Ombudsman Service*
- *Financial Ombudsman Service*
- *PPF Ombudsman*
- *The Pensions Advisory Service (TPAS) Citizens Advice Service (including Citizens Advice Bureau) and Pension Wise*
- *The Money Advice Service (MAS)*
- *Pension Protection Fund (PPF)*
- *Financial Conduct Authority (FCA)*
- *Financial Assistance Scheme (FAS)*
- *Financial Services Compensation Scheme (FSCS)*
- *National Insurance Services to the Pensions Industry (NISPI)*
- *The Information Commissioner*
- *The Pension Tracing Service*
- *Pensions Compensation Board*
- *Pension Schemes Registry*

6. **explain** the main features of the employer duties for automatic enrolment and re-enrolment

**describe** automatic enrolment, contractual enrolment and re-enrolment

**define** jobholders and workers

**identify:**

- *qualifying earnings and pay reference periods*
- *qualifying schemes and automatic enrolment schemes*

**explain** phasing in and staging

**describe** the communication requirements and timescales

**explain** the role of the Pensions Regulator

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

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

**evaluate** occupational pension schemes, personal pensions, stakeholders and SIPPs

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

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

8. **demonstrate an understanding of** the different types of benefit design found in pension schemes

**describe** the main benefit design features:

- *defined benefit (final salary and career average)*
- *defined contribution*
- *cash balance*
- *hybrid arrangements*
- *risk sharing schemes*

9. **understand** the context and the main types, and principal features, of workplace pension schemes found in both the private and public sectors, and **explain** the difference between insured and self administered schemes

**define** public sector benefit structure

**describe:**

- private sector benefit structures
- master trusts
- cross border schemes

**identify** the features of:

- insured schemes
- self-administered schemes
- executive pension arrangements and employer financed retirement benefit schemes

10. **demonstrate an understanding of** the financing of pension schemes

**analyse** the financing of workplace pension schemes:

- defined benefit
- defined contribution
- defined ambition/risk sharing
- pay as you go

11. **evaluate** what an employer might consider when selecting a trust, master trust or contract-based arrangement

**identify** the advantages and disadvantages of each

12. **evaluate** the options for personal savings

**explain** the features of the following:

- personal investments
- alternative investments
- insurances

13. **describe** the options available for retirement saving

**outline** the features of:

- tax advantaged savings vehicles
- property
- pension arrangements

14. **understand** the main features of employee communications with saving for retirement

**outline:**

- statutory disclosure requirements
- the concepts of advice and guidance

## CORE UNIT 2 - REGULATION OF RETIREMENT PROVISION

### Aim:

To provide an overview of the regulation of retirement provision in the UK including an appreciation of:

- legal and taxation aspects
- compliance with regulation and where administrators need to focus on compliance issues
- the bodies responsible for defining, monitoring and oversight
- how the employee is supported by the financial services industry
- current issues.

1. **analyse** a registered pension scheme and the tax treatment conferred by registered scheme status

**outline** the Finance Act 2004 including the tax treatment of:

- contributions
- investment
- benefits (retirement and death)

2. **understand** the context of the principal features of the current tax regime governing registered pension schemes

**define** Benefit Crystallisation Events and the Lifetime Allowance, including protection

**outline** the features of the Annual Allowance, including the Tapered Annual Allowance and the Money Purchase Annual Allowance

**identify** authorised and unauthorised payments

3. **understand** the tax treatment of unregistered schemes

**define:**

- Employer Funded Retirement Benefit Schemes
- Qualifying Recognised Overseas Pension Schemes
- Excepted Life Schemes

4. **understand** the implications of differences in Jurisdiction (England & Wales, Scotland and Northern Ireland) on retirement provision

**explain** the implications in the following areas:

- sources of law
- Income Tax
- options on divorce

5. **understand** the roles and functions of the bodies that regulate pension schemes and provide protection to members and employers

**explain** the role and powers of:

- the Pensions Regulator (TPR)
- HM Revenue & Customs (HMRC)
- Financial Conduct Authority (FCA)
- Department for Work and Pensions (DWP)
- Financial Services Compensation Scheme (FSCS)
- Pension Protection Fund (PPF)
- Pensions Ombudsman and Financial Services Ombudsman



6. **demonstrate an understanding** of the principles of trust law and the role and responsibilities of pension scheme trustees and **evaluate** why trusts are used in a pensions context.

*identify the main features of a trust*

*distinguish between trust and contract-based alternatives for workplace pensions, including master trusts*

*identify the different types of trustees*

*analyse the appointment and removal of trustees*

*explain the duties and powers of trustees:*

- *investment powers*
- *exercise of discretions*
- *delegation*
- *meetings and minutes*
- *trustees' liability and protection*
- *trustee knowledge and understanding (TKU)*

*identify notifiable events*

*describe the Pensions Regulator's Codes of Practice and guidance notes*

7. **describe** the way in which pension schemes are established, the methods for changing trustees and employers and for amending schemes and **explain** the possible constraints on such amendments

*explain the trust deed and rules*

*outline relevant employee communications*

*explain how the following can be effected:*

- *changing employers*
- *changing trustees*
- *amending deeds*

*outline the powers of amendment*

*identify overriding legislation and relevant case law*

*analyse the relevant practical considerations*

*explain the process of consultation and notification to members*

8. **distinguish** between a share sale and a business sale and **demonstrate an understanding** of the duties of trustees in such situations and the related issues

*explain share sales and business sales (and key differences between them)*

*analyse sale and purchase agreements*

*evaluate past and future service provision (including Transfer of Undertakings (Protection of Employment) Regulations (TUPE))*

*explain the following:*

- *section 75 debts*
- *anti-avoidance and clearance*
- *apportionment of liabilities*
- *withdrawal arrangements*

*analyse scheme mergers*

9. **understand** the context of the duties imposed on the 'scheme administrator' by the Finance Act 2004

*outline the characteristics of effective record keeping*

*describe information requirements for:*

- *HM Revenue & Customs*
- *members*
- *other scheme administrators*

10. **describe** the requirements for communication with members

**explain** the legal requirements for each of the following types of disclosure:

- automatic
- on request
- e communications/multi media

11. **demonstrate an understanding** of the importance of a governance structure

**explain** the features of scheme governance

**outline** the roles of the employer, trustees, governance committees and providers

**outline** the importance of:

- risk management
- member communication and engagement
- investment and manager selection

12. **outline** other laws which impact on UK pension provision

**analyse** the impact of:

- data protection
- divorce, civil partnership and same sex marriages
- family law
- human rights
- equal treatment and discrimination (including age discrimination)
- dismissal and redundancy
- anti-money laundering and anti-bribery
- information and consultation regulation
- Value Added Tax (VAT)
- European Union law

13. **demonstrate an understanding** of current issues

**analyse** the impact of:

- cessation of contracting out and scheme reconciliations
- data protection
- pensions dashboard
- Guaranteed Minimum Pension (GMP) equalisation/conversion
- pension scams
- data quality and the scheme return
- defined benefit to defined contribution transfers
- pension advice allowance and provision of advice at retirement (robo advice)
- Green Paper (including consultation)
- TPR consultation professional trustees
- possible impact of BREXIT

14. **understand** how companies and individuals working in the pensions field are regulated by the FCA

**outline** the characteristics of

- statements of principle
- financial advice
- best advice
- treating customers fairly
- advertising and promotion
- regular reviews of suitability
- asset management market study
- Financial Advice Market Review (FAMR)

15. **explain** how the consumer is served by the financial services industry

**describe** the role of the providers of financial products

**explain** the relationship between product providers, advisers and consumers

**analyse** the perception of financial services

**identify** the main financial needs and how they are met

## CORE UNIT 3 – RUNNING A WORKPLACE PENSION SCHEME

### Aim:

To provide an overview of the requirements of running a workplace pension scheme, including an appreciation of:

- the implications of the tax and regulatory regimes that apply to workplace pensions
- scheme administration, payroll and financial administration
- the importance of data and data protection
- the calculation and payment of benefits
- the role of technology.

### 1. **demonstrate an understanding** of administration system design

**analyse** each of the following:

- *system requirements*
- *contractual enrolment, automatic enrolment and re-enrolment processes*
- *interfaces with payroll and human resources*
- *data protection*
- *end to end processing*
- *online functionality*
- *cyber security*

### 2. **demonstrate an understanding** of ongoing scheme requirements and implications for payroll and HR

**explain** the requirements for each of the following:

- *new employees, contractual enrolment and automatic enrolment*
- *employees opting-out and re-enrolment processes*
- *divorce, court orders and pension credit members*
- *individual bankruptcy*
- *renewals/interfaces and disclosure*
- *record keeping*
- *relevant Pensions Regulator Codes of Practice and guidance notes*

### 3. **demonstrate an understanding of** the main features of automatic enrolment

**define** *Jobholders and Workers*

**explain** the following:

- *staging dates*
- *postponement*

**distinguish** between the different options for Qualifying Schemes

**explain** the administrative requirements

**describe** the communication requirements and timescales

**explain** compliance and the Pensions Regulator

### 4. **understand** the main features of employee communication with saving for retirement

**outline** the importance of effective communication and identify the different methods of communication:

- *electronic or paper based*
- *face to face*

**distinguish** between statutory disclosure requirements and those arising from best practice

5. **describe** the procedures required for the different taxation allowances

**explain** the requirements for each of the following:

- Annual Allowance, including Tapered Annual Allowance and Money Purchase Annual Allowance
- Lifetime Allowance
- the various protection regimes

6. **demonstrate an understanding** of the key features of delivering pension benefits

**analyse** each of the following:

- different service delivery models e.g. outsourcing, co-sourcing, front office/back office, off shoring
- organisation of work
- key stakeholders – their roles and responsibilities
- service delivery models
- target setting

7. **outline** the various benefit crystallisation events when an individual leaves a workplace pension scheme and **understand** the advantages and disadvantages, administrative requirements including the provision of guidance and risks associated with different benefit options

**describe** the options on early leaving, refunds, deferred benefits, transfers (in and out)

**define** the options before retirement, including redundancy and ill-health

**identify** the benefits payable on death

**explain** the options available arising from divorce and the dissolution of civil partnerships

**describe** the retirement options:

- ill-health retirement
- phased retirement
- flexible retirement
- lump sum options including trivial commutation
- uncrystallised funds pension lump sums
- income drawdown(capped and flexible)
- different types of annuities

8. **demonstrate an understanding** of accounts and treasury requirements

**explain** the requirements for each of the following:

- timing of contribution payments
- money transfer processes and authorities
- record keeping
- reporting
- reconciliation processes
- accounting standards

9. **describe** the scheme level administration requirements

**explain** the requirements for each of the following:

- bank accounts and cash management
- annual report and accounts, scheme accounting and audit
- annual renewals

10. **demonstrate an understanding** of pensioner payroll requirements

**explain** the requirements for each of the following:

- *taxation of lump sum options*
- *application of tax codes*
- *accounting for tax deducted*
- *application of pension increases*
- *record keeping*
- *reporting*
- *treatment of overpayments or underpayments and communication*
- *combatting identity fraud*
- *responding to guidance such as payments overseas*
- *member insolvency*
- *earmarking orders*

11. **explain** from a UK perspective the practical benefit considerations to be taken into account when a member moves abroad

**explain** the requirements for each of the following:

- *residence overseas before and after retirement including temporary absence abroad*
- *cross border regulations*
- *overseas transfer charge*

12. **demonstrate an understanding** of current issues and **outline** recent developments in legislation and forthcoming changes that will impact on the governance of retirement provision

**explain** the impact of recent developments:

- *DC Code and How to Guides*
- *combating pension scams*
- *cyber security*

13. **describe** the procedures to be adopted in connection with the winding up of a trust-based pension scheme and **demonstrate an understanding** of the powers and duties of trustees in such situations and related issues

**outline** the interaction with the employer

**explain** scheme termination

**define** the procedure for wind up

**explain** the importance of tracing members

**explain** the issue of company insolvency

**outline** the role of the:

- *Pension Protection Fund*
- *Financial Assistance Scheme*

**describe** discharging duties on termination

## CORE UNIT 4 - FINANCING AND INVESTING FOR RETIREMENT PROVISION

### Aim:

To provide an overview of how employers and employees pay for workplace pensions and distinguishing between defined benefit and defined contribution arrangements and including an appreciation of:

- the factors which will influence the funding strategy, including the taxation regime
- risk appreciation and management
- financial regulation
- accounting and tax issues
- investment, investment management, investment strategy and governance

1. **demonstrate an understanding** of the principal reasons why retirement benefits are financed

**analyse** the following:

- *security*
- *stability and cash flow*
- *taxation*
- *accounting practices*

**explain** the funding of public sector schemes

2. **understand** how workplace pension schemes are financed

**describe** employer and employee contributions

**outline** the features of:

- *salary sacrifice*
- *Additional Voluntary Contributions (AVCs)*

**describe** unfunded schemes

**understand** the risks and how they can be managed

3. **demonstrate an understanding** of the tax regime and allowances

**explain** the tax relief/charges for/on the following:

- *contributions*
- *payments*

**describe** the taxation of Employer Financed Retirement Benefit Schemes

4. **understand** the different types of investments available to pension funds, **explain** their differences and suitability for different types of retirement provision

**analyse** the nature of equities:

- *UK*
- *overseas*
- *new issues and underwriting*

**analyse** the nature of bonds:

- *fixed interest – government/corporate, overseas, high-yield and emerging market debt*
- *index linked*
- *new issues and underwriting*

**outline** the other assets available:

- *property*
- *cash*
- *currency and currency hedging*
- *derivatives*

- *private equity*
- *commodities*
- *absolute return funds, including diversified growth funds*
- *infrastructure*
- *insurance policies*
- *stock lending/underwriting*
- *buy outs/ins, with profits, annuities*

**5. understand the financial regulation of workplace pension schemes**

**explain** the impact of/for the following:

- *Financial Services and Markets Act 2000 (FSMA)*
- *Pensions Act 2004*
- *The Pensions Regulator*
- *Pension Protection Fund*
- *Self investment*

**6. describe** the financial administration and governance of workplace pension schemes

**explain** the following aspects:

- *contribution management*
- *cash flow management*
- *accounting for tax*
- *investment records*
- *scheme accounts*
- *accounting standards*
- *audit*

**7. describe** the tax treatment of scheme investments

**analyse** each of the following:

- *investment income/capital gains*
- *property*
- *insurance policies*
- *overseas investments*
- *income from trade*
- *withholding tax*

**8. explain the considerations** when an individual is determining their investment strategy for and during retirement

**analyse** the impact of the following:

- *life expectancy*
- *income needs and shape in retirement*
- *expected retirement age*
- *size of existing fund and future contributions*
- *investment funds available including lifestyle, target date and default and the need to review these on a regular basis.*
- *attitude to risk*
- *role of regulation and legislation*
- *future economic conditions*
- *costs and charges*

**demonstrate an understanding** of the roles and responsibilities of employer and trustees in the provision of investment options for defined contribution schemes including master trusts



**explain** the following:

- *implications of size and type of scheme*
- *default funds*
- *retirement ages outcome assessment*
- *charges*
- *member education*
- *master trust*
- *advice*

9. **describe** what factors should be taken into account when determining a trust-based defined benefit scheme's overall investment strategy

**analyse** the impact of the following:

- *member demographics*
- *size and type of scheme*
- *strength of employer covenant*
- *role of regulation and legislation*
- *employer and trustee attitude to risk*
- *Statement of Investment Principles*
- *de-risking strategies*
- *diversification*
- *economic conditions*

10. **distinguish** between the various approaches to investment management and **outline** how, why and which size and type of scheme each might be used

**analyse** and **evaluate** the following:

- *segregated and pooled funds*
- *active and passive management*
- *manager structures*
- *multi manager funds*
- *in house management*
- *delegation and fiduciary management*

11. **outline** factors taken into consideration when selecting, monitoring and changing investment managers

**explain** each of the following:

- *manager selection process*
- *custody and title of assets*
- *fee structure*
- *setting performance targets*
- *ethical and socially responsible investment*
- *investment management agreements*
- *administration*
- *transition management*
- *frequency of monitoring and governance*
- *multiple managers*
- *transition risk*

## CORE UNIT 1B - FOUNDATION IN INTERNATIONAL EMPLOYEE BENEFITS

### Aim

To provide an introduction to the following issues:

- The different employee benefits in an international context and the different ways these are designed, delivered, funded, communicated and administered around the world
- The respective roles of stakeholders involved in the provision of international employee benefits
- Pensions and employee benefit provision in France, Germany, Japan, the Netherlands, the UK, the USA and Switzerland and a regional overview of Europe and North America to highlight the different practices of employee benefit provision
- The legal and regulatory influences of the European Union on pensions/employee benefit design and financing

### Learning Outcomes

At the end of this unit, candidates will be able to:

- **outline** the role of pensions and employee benefits as a key element in total remuneration
- **explain** the importance of pensions and employee benefits globally
- **demonstrate an understanding** of the main employee benefits and the factors influencing the provision of each of them
- **explain** the background to pensions and employee benefit provision and **describe** the different elements of provision
- **explain** and **distinguish** the roles of different parties involved in the provision of pensions and employee benefits
- **describe** the typical pensions and employee benefit practice and environment and **outline** the factors influencing pension/benefit design in the selected countries and regions

### Syllabus

1. **outline** the role of pensions and employee benefits as a key element in total remuneration
  - 1.1 **analyse** *the different elements of reward and how these motivate employees*
  - 1.2 **explain** *the role of employee benefits in relation to compensation and relational rewards*
2. **explain** the importance of pensions and employee benefits globally.
  - 2.1 **analyse** *the reasons why pensions and employee benefits are provided and how these motivations change by country*
  - 2.2 **explain** *the general financial implications of pensions and employee benefit provision*
3. **demonstrate an understanding** of the main employee benefits and the factors influencing the provision of each of them
  - 3.1 **analyse** *each of the following*
    - *pensions/retirement benefits*
    - *death and disability benefits*
    - *post and pre-retirement medical and health benefits*
    - *other long-service and post-employment plans*
    - *savings plans*
    - *share plans*
    - *other benefit-related topics including flexible benefit platforms, wellbeing/wellness and company cars*
4. **explain** the background to pensions and employee benefit provision and **describe** the different elements of provision
  - 4.1 **analyse** *each of the following*

- *design*
- *delivery*
- *funding and financing*
- *administration*

5. **explain** and **distinguish** the roles of different parties involved in the provision of pensions and employee benefits

5.1 **analyse** the roles of each of the following

- *employees*
- *other beneficiaries*
- *international employee benefits managers*
- *corporate HR, finance and risk functions*
- *employee representatives, e.g. works councils, trade unions,*
- *trustees/fiduciaries*
- *local actuaries*
- *local regulators*
- *vendors, including global custodians, investment managers and insurance company/multinational pooling secretariat*
- *advisers*
- *international benefits consultants*

6. **describe** the typical pensions and employee benefit practice and environment and **outline** the factors influencing pension/benefit design in the selected countries and regions

6.1 **explain** each of the following

- *economic and employment background*
- *social security benefits and financing*
- *compulsory benefits and voluntary plans*
- *delivery of benefits*
- *funding and financing of benefits including investment of plan assets*
- *regulatory and tax framework*
- *administration of benefits*

## CONSTITUENT TIER ONE SPECIALIST OPTION UNITS

### DEFINED BENEFIT ARRANGEMENTS

#### Aim:

To provide an in depth understanding of trust-based defined benefit (DB) arrangements, building on and utilising the knowledge gained in the core units and applying it in a variety of scenarios, recognising the requirements of different stakeholders.

1. **demonstrate an understanding** of the factors which influenced defined benefit scheme design and the trend for new arrangements to be defined contribution schemes.

**explain** the impact of the following

- employer needs
- employee needs
- legislation
- corporate activity
- State provision
- administrative considerations
- eligibility conditions, contractual enrolment and automatic enrolment
- design of contribution structures
- salary sacrifice and its application
- new developments

2. **understand** the different types of DB arrangements and current trends

**analyse** each of the following workplace arrangements

- final salary (including cash balance)
- career average
- defined ambition (risk sharing schemes)

**analyse** individual and executive arrangements

3. **demonstrate an understanding** of certain key features of the tax system that apply to defined benefit schemes

**analyse** the impact of the following

- tax relief on contributions and investment return
- authorised and unauthorised payments
- Annual Allowance
- Lifetime Allowance
  - protection
  - Benefit Crystallisation Events
  - registration and de registration
  - scheme pays

4. **identify** the roles of the employer and trustees

**evaluate** the importance of

- legal requirements
- good governance and best practice including the voluntary "Code of Good Practice" on Incentive Exercises
- governance and impact on member outcomes

**evaluate** each of the following

- selection, appointment, management, monitoring and review of advisers, delivery vehicles and providers

5. **demonstrate an understanding** of the impact of the abolition of contracting out

**explain** the requirements for each of the following

- *historic requirements*
- *changes to scheme design*
- *reporting requirements (leavers; retirements; solvency)*
- *GMP equalisation/reconciliation/convergence*
- *cessation*

6. **describe** the scheme level requirements for the administration of DB arrangements

*active, deferred and pensioner members:*

- *communication*
  - *disclosure*
  - *pension saving statements*
  - *Additional Voluntary Contribution (AVC) Statutory Money Purchase Illustrations*
- *reconciliation procedures*
  
- *AVC*
  - *Investments*
  - *switching/redirection*
  - *charges*
  - *guarantees*

*options on early leaving:*

- *refunds*
- *deferred benefits,*
- *transfers (in and out) including public sector restrictions*

*retirement options:*

- *retirement*
- *ill-health retirement*
- *phased retirement*
- *flexible retirement*
- *lump sum options including trivial commutation*
- *open market option and different types of annuities*

*death benefits:*

- *on death before and after retirement*
- *payment of lump sums and dependants' pensions*
- *record keeping*

7. **describe** the scheme level requirements for the administration of defined contribution AVC arrangements

**explain** the requirements for each of the following

- *objectives of defined contribution administration*
  - *contribution and investment processing cycle*
- *legislative requirements for member contributions*
- *reconciliation procedures*

8. **demonstrate an understanding** of the legal requirements relating to the funding of registered pension schemes and the practical issues to which they can give rise

**describe** and **explain** the principles of scheme financing

**outline** *scheme specific funding*

**analyse** *funding objectives and measurement*

**explain** *the following:*

- *financial and demographic assumptions*
- *calculations of contribution rates*
- *the treatment of types of asset and liability*
- *use of contingent assets*
- *setting factors for early/late retirement commutation, transfer factors*
- *the calculation of individual and group transfer values*
- *actuarial valuations and reports*
- *the role of the Pensions Regulator*

**outline** *annual funding statements*

**explain** *the significance of employer covenant*

**define** *recovery plans and the schedule of contributions*

**outline** *company accounting standards for pension schemes*

9. **identify** and **distinguish** between different methods of actuarial funding

**analyse** *each of the following*

- *projected unit method*
- *attained age method*
- *discontinuance*
- *Section 179 Pension Protection Fund basis*
- *accounting standards*

10. **describe** what factors should be taken into account when determining a defined benefit fund's overall investment strategy

**analyse** *the impact of the following*

- *size of scheme, funding level*
- *strength of employer covenant*
- *role of regulation and legislation*
- *employer and trustee attitude to risk*
- *cash flow requirements*
- *liability profile*
- *asset/liability modelling*
- *liability driven investment*
- *asset allocation*
- *risk management*
- *Statement of Investment Principles*
- *de-risking strategies*

11. **demonstrate an understanding** of the approaches to managing risk, de-risking and the advantages and disadvantages of each

**define** and **analyse** *the current approaches:*

- *buy in/buy out*
- *longevity swaps*
- *liability driven investment*

12. **demonstrate an understanding** of the Pension Protection Fund (PPF) levy

**describe and explain**

- *the purpose of the PPF levy*
- *the calculation basis and issues arising*

13. **demonstrate an understanding** of the stages of restructuring a defined benefit scheme

**analyse** each of the following

- *reviewing benefit design*
- *changing future benefit or contribution structure*
- *closing to new entrants*
- *ceasing future accrual*
- *operating as a closed scheme*
- *winding up*
- *cessation of contracting out*

14. **describe** the procedures to be adopted in connection with the winding up of a pension scheme and **demonstrate an understanding** of the powers and duties of trustees in such situations and related issues

**outline** the interaction with the employer

**explain** scheme termination

**define** the procedure for wind up

**explain** the issue of company insolvency

**outline** the role of

- *Pension Protection Fund*
- *Financial Assistance Scheme*

**describe** discharging benefits on termination

15. **describe** the process to be followed for a pension scheme's journey into the Pension Protection Fund and **demonstrate an understanding** of the duties of trustees in such situations and related issues

**explain** the stages in the process

- *Section 120 notice*
- *assessment period*
- *transition*
- *compensation*
- *entry to the PPF*
- *communication*
- *project management*
- *timescales*

16. **demonstrate an understanding** of the challenges created by legacy issues

- *administering legacy arrangements*
- *contracting out*
- *reporting requirements*
- *data standards*
- *resolution of data discrepancies*

## DEFINED CONTRIBUTION ARRANGEMENTS

### Aim:

To provide an in depth understanding of trust and contract-based DC arrangements, building on and utilising the knowledge they have gained in the core units to show that they can apply this in a variety of scenarios and recognising the requirements of different stakeholders.

1. **demonstrate an understanding** of the factors which influence DC arrangement design and their influence on administration

**explain** the impact of the following:

- *employee needs*
- *employer strategy including corporate activity*
- *legislation and legacy issues*
- *State provision*
- *administrative considerations*
- *eligibility conditions, contractual enrolment and automatic enrolment*
- *design of contribution structures including automatic enrolment phasing*
- *salary sacrifice and its application*
- *charging structures and costs*

2. **understand** the different types of DC arrangements and current trends

**analyse** each of the following workplace arrangements:

- *trust-based*
- *contract-based*
- *group*
- *employer-sponsored arrangements*
- *bundled and unbundled arrangements*
- *master trusts*

3. **evaluate** the importance of system design in the administration of DC arrangements

**analyse** the impact of the following:

- *system requirements*
- *legislative requirements*
- *interfaces*
- *online access*
- *online enrolment*
- *Straight Through Processing*

4. **demonstrate an understanding** of the regulatory bodies and their key functions and consider the financial aspects of DC administration

**explain** the functions of each of the following:

- *Her Majesty's Revenue & Customs*
- *The Pensions Regulator*
- *Financial Conduct Authority/The Prudential Regulation Authority*

**explain** the requirements for each of the following:

- *bank accounts*
- *cash management*
- *scheme accounts and auditing*
- *risk benefits and rebroking*



5. **describe** the member level requirements for the administration of DC arrangements

**explain** the procedures involved in:

- *contribution management*
- *contribution investment processing including:*
  - *payment of contributions*
  - *investment switches/redirections*
  - *purchase of units*
  - *unit reconciliation checks*
  - *disinvestments*

**analyse** the impact of the following:

- *tax relief on contributions*
- *Annual Allowance, Tapered Annual Allowance and Money Purchase Annual Allowance and Scheme Pays*
- *active and deferred member communications:*
  - *pension savings statements*
  - *benefit statements and Statutory Money Purchase Illustrations*

6. **explain** the authorised pension benefits payable from DC arrangements

**describe** each of the following:

- *options on early leaving:*
  - *refunds*
  - *deferred benefits*
- *transfer options*
- *death benefit options:*
  - *death in service*
  - *death in deferment*
  - *death in retirement*
- *retirement options:*
  - *different types of annuities, including enhanced and the open market option*
  - *lump sum options including full commutation*
  - *income drawdown (capped and flexible)*
  - *uncrystallised funds pension lump sum*
  - *at retirement advice*
- *timing of retirement*
  - *early retirement*
  - *phased/flexible retirement*
  - *ill-health retirement*
- *closing and winding up schemes*
- *disclosure requirements including retirement risk warnings*

**analyse** the impact of the Lifetime Allowance:

- *various protection regimes*
- *Benefit Crystallisation Events*
- *registration and de registration*

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

**evaluate** each of the following:

- *governance structures/committees:*
  - *trustee (e.g. DC sub-committee/master trust)*
  - *employer*
  - *provider*

**evaluate** the importance of:

- *legal requirements around governance*
- *best practice*
- *charges and value for money*
- *internal controls*
- *conflicts of interest*
- *record keeping and regular reconciliations*
- *the Chair's statement*
- *risk management including reviewing advisers, delivery vehicles and providers*
- *good member outcomes including member communication and engagement*

**describe** the role of the Pensions Regulator in supporting good governance in relation to:

- *guidance*
- *Code of Practice*
- *How to Guides*

8. **describe** what factors should be taken into account by employers, trustees and governance committees when determining investment strategy

**analyse** the impact of the following:

- *default funds and their review*
- *range of funds*
- *monitoring performance*
- *Statement of Investment Principles*
- *Investment Governance Group Principles*

9. **understand** the investment considerations for members of DC arrangements

**analyse** each of the following:

- *different types of investments and the risk attached to each:*
  - *default funds*
  - *target date funds*
  - *lifestyle options*
- *types of investment management and charging*
- *investment platforms*
- *lifestyle strategies*

10. **demonstrate an understanding of** individual arrangements and specialist pension provision for executives and directors

**describe** each of the following:

- *different arrangements for executives and directors*
  - *Executive Pension Plans*
  - *Small Self Administered Schemes*
  - *Employer Financed Retirement Benefit Schemes*
- *different types of individual pension arrangement*
  - *personal pension plans*
  - *stakeholder schemes*
  - *self-invested personal pensions*
  - *retirement annuity contracts*

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

**explain** the impact of recent developments:

- *taxation of ROPS transfers*
- *Pensions Advice Allowance*
- *reduction to Money Purchase Annual Allowance*
- *market consolidation (bulk transfers of DC pensions without consent and master trust developments)*
- *latest DC governance reforms including early exit charges and transparency measures*
- *Pensions Dashboard*
- *Lifetime ISA and comparison to DC pension savings, pensions tax relief consultation*
- *General Data Protection Regulation*
- *measures to tackle pension scams*

## CONSTITUENT TIER TWO SPECIALIST OPTION UNITS

### REWARD AND RETIREMENT PROVISION

#### Aim:

To provide an understanding of the main employee benefits, their value, cost structures, taxation implications and how they interact with saving for retirement. To include appreciation of:

- the employee and employer perspectives
- rewards strategies
- communication and engagement

1. **outline** the factors to be taken into consideration when developing a total rewards strategy

**explain** the impact of the following:

- *employee demographics*
- *globalisation*
- *possible impact of BREXIT*
- *cost*
- *market position*
- *recruitment and retention*
- *automatic enrolment*
- *employee and employer perspective*
- *flexible benefits*
- *State benefits*
- *communication of employee benefits:*
  - *methods*
  - *advantages and disadvantages*
  - *employee behaviour*
  - *the Pensions Regulator's guidance*
  - *roles and their interaction*
  - *HR, payroll, pensions, finance*
  - *data flows*
  - *selecting and managing providers and advisers*

2. **demonstrate an understanding** of the employer perspective in relation to a total rewards strategy including oversight responsibility

**explain** the development of rewards strategies including the needs of an ageing population

**outline** the tax implications and the pensions benefit implications

3. **outline** the elements that employers may use as part of their rewards package

**analyse** each of the following:

- *income protection schemes*
- *critical illness schemes*
- *health care schemes*
- *personal accident benefits*
- *sabbaticals*
- *career breaks*
- *child care*
- *dental/optical cover*
- *retail vouchers*
- *other elements*

4. **explain** the main features of establishing and maintaining the rewards package

**explain** the impact of the following:

- *employee engagement and communication*
- *broking benefits*
- *timing*
- *benefit evaluation*

5. **explain** the purpose and principal features of company share schemes

**analyse** each of the following:

- *SAYE share option schemes*
- *Share Incentive Plans*
- *executive share option schemes*
- *profit sharing schemes*
- *employee share ownership plans*
- *unapproved and phantom share schemes*
- *tax treatment*
- *capital gains tax*
- *an overseas sponsor*

6. **explain** the concept of remuneration as part of a rewards package

**analyse** each of the following:

- *remuneration*
- *bonus schemes*

7. **demonstrate an understanding** of the principles of salary/bonus sacrifice

**analyse** each of the following:

- *reasons for adopting salary/bonus sacrifice*
- *criteria to be an effective sacrifice arrangement*
- *scheme design considerations*
- *National Insurance savings to employer/employees*
- *effect on State benefits*
- *communication to employees*
- *tax implications*
- *contract of employment implications*

**8. demonstrate an understanding** of flexible benefits

**analyse** each of the following:

- reasons for offering flexible benefits
- designing a flexible benefits package:
  - core benefits
  - degree of flexibility
  - delivery of a flexible benefits package
  - employee communications

**explain** each of the following:

- the impact of automatic enrolment
- retirement provision options
  - additional contributions
  - salary sacrifice
  - rates of accrual
- taxation implications and effect on State benefits
- life events
- contract of employment implications

**9. outline** the impact of tax charges for individuals

**analyse** each of the following:

- disguised remuneration
- cash alternatives
- ill health

**10. outline** future developments

**explain** the impact of recent developments

## INTERNATIONAL 2: MANAGING INTERNATIONAL EMPLOYEE BENEFITS (Applying the Principles Covered in Foundation in International Benefits)

### Aim

To build on the material covered in International 1: Foundation in International Employee Benefits to develop an understanding of the following issues:

- The employee benefit objectives of a multinational company
- The funding and risk management aspects of providing employee benefits
- Management of risk benefits
- Pensions and employee benefit provision in Brazil, China, India and Russia and a regional overview of Africa, Asia and Latin America to highlight the different practices of pensions and employee benefit provision
- Benefits for internationally mobile employees
- The employee benefit implications of mergers and acquisitions
- Trends in employee benefit provision

### Learning Outcomes

At the end of this unit, candidates will be able to:

- **outline** the employee benefit objectives that multinational companies have and the factors taken into account in the development of an international employee benefit strategy
- **describe** the funding and risk management aspects involved in defined benefit pension and retirement benefits
- **describe** the importance of managing risk benefits and **outline** the activities that are carried out
- **describe** typical pensions and employee benefit practice and environment and **outline** the factors influencing benefit design in the selected countries and regions
- **explain** the issues relating to internationally mobile employees in respect of their pensions and employee benefits and **describe** the possible solutions to the different challenges in mobility of employees
- **demonstrate an understanding of** the pensions and employee benefit issues in respect of mergers and acquisitions
- **outline** the current and likely future global trends in pensions and employee benefit provision

### Syllabus

1. **outline** the employee benefit objectives that multinational companies have and the factors taken into account in the development of an international employee benefit strategy

**analyse** each of the following:

- *summary of benefit objectives*
- *factors to take into account in the formulation of a benefit strategy*
- *typical elements contained within a benefit strategy*
- *measures of effective benefit strategies*

2. **describe** the funding and risk management aspects involved in defined benefit pension and retirement benefits

**explain** each of the following:

- *what elements are covered when considering the funding and financing policy*
- *differences between funding and accounting valuations and choice of funding method approaches and vehicles for retirement benefit funding*
- *elements taken into account in the risk assessment and management of employee benefits including investment, mortality and other risk elements*

3. **describe** the importance of managing risk benefits and **outline** the activities that are carried out

*analyse the aspects related to the insurance of benefits including assessment of risk, choice of benefits to insure, choice of provider, multinational pooling and captives*

4. **describe** typical pensions and employee benefit practice and environment and **outline** the factors influencing benefit design in the selected countries and regions

*analyse each of the following:*

- *economic and employment background*
- *social security benefits and financing*
- *compulsory benefits and voluntary plans*
- *delivery of benefits*
- *funding and financing of benefits including investment of plan assets*
- *regulatory and tax framework*
- *administration of benefits*

5. **explain** the issues relating to internationally mobile employees in respect of their pensions and employee benefits and **describe** the possible solutions to the different challenges in mobility of employees

*analyse each of the following:*

- *types of transfers of employees*
- *social security issues*
- *occupational pension issues*
- *European Union regulations and influence*
- *home country, host country, international plan approaches*
- *legal, taxation and financing issues*
- *other benefit provision*

6. **demonstrate an understanding of** the pensions and employee benefit issues in respect of mergers and acquisitions

*outline the general features of mergers and acquisitions and the employee benefit implications*

*explain the general and country specific problem areas*

*analyse pensions and employee benefit policy and strategy in respect of mergers and acquisitions*

7. **outline** the current and likely future global trends in pensions and employee benefit provision

*analyse each of the following:*

- *key trends and pressures influencing pension and benefit provision*
- *economic, social, demographic and labour market changes and their impact on benefit provision*



## TAXATION, RETAIL INVESTMENT AND PENSIONS

### Aim

To develop an understanding of the nature of pension arrangements, retail investments together with the fundamentals of the UK tax system.

### Learning Outcomes

At the end of this unit, candidates will be able to:

- **demonstrate an understanding** the origins and overview of retirement provision
- **demonstrate an understanding** of the context and the factors which currently influence retirement saving in the UK
- **describe** the options available for retirement saving
- **understand** the main features of employee engagement with saving for retirement
- **explain** the main features of automatic enrolment and re-enrolment
- **distinguish** between the different methods of providing and delivering pensions and the different benefits and options
- **understand** the context and the main types, and principal features, of workplace pension schemes found in both the private and public sectors, and **explain** the difference between insured and self administered schemes
- **analyse** a registered pension scheme and the advantages conferred by registered scheme status
- **understand** the context of the principal features of the current tax regime governing registered pension schemes
- **understand** the tax treatment of unregistered schemes
- **outline** the various benefit crystallisation events when an individual leaves a workplace pension scheme and **understand** the advantages and disadvantages, administrative requirements including the provision of guidance and risks associated with different benefit options
- **understand** the context of the UK tax system and its impact on individuals and trusts, including liability, collection and computation
- **analyse** the nature of the macro economic environment
- **understand** the context of the principal asset classes
- **understand** the context and the characteristics and taxation of retail financial products
- **evaluate** the needs and priorities for financial protection
- **evaluate** the main types and uses of financial protection policies
- **understand** the taxation of financial protection policies
- **understand** the principal State benefits

### Syllabus

1. **demonstrate an understanding** the origins and overview of retirement provision  
*explain the following aspects:*
  - *State*
  - *workplace*
  - *individual*
2. **demonstrate an understanding** of the context and the factors which currently influence retirement saving in the UK

**identify** changes to State pension age and State benefits  
**describe** balancing work, retirement and income and **explain** flexible retirement  
**describe** long term care  
**define** the impact of demographics  
**outline** changing social trends and **explain** the competition for income

3. **describe** the options available for retirement saving

**outline** the features of

- Individual/Lifetime Savings Accounts LISAs/ISAs
- property
- pensions, including Self Invested Personal Pensions (SIPPs)

**outline** the features of

- corporate wraps

**explain** the different types of individual pension contracts:

- personal
- securing benefits
- additional voluntary contributions

4. **understand** the main features of employee engagement with saving for retirement

**outline** the importance of effective communication and identify the different methods

**distinguish** between:

- statutory disclosure requirements and those arising from best practice
- the concepts of advice and guidance

5. **explain** the main features of automatic enrolment and re-enrolment

**describe** automatic enrolment, contractual enrolment and re-enrolment

**define** jobholders and workers

**identify:**

- qualifying earnings and pay reference periods
- qualifying schemes and automatic enrolment schemes

**explain** phasing in and staging

**describe** the communication requirements and timescales

**explain** compliance and the Pensions Regulator

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

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

**evaluate** occupational pension schemes, personal pensions, stakeholders and SIPPs

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

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

7. **understand** the context and the main types, and principal features, of workplace pension schemes found in both the private and public sectors, and **explain** the difference between insured and self administered schemes

**define** public sector benefit structure

**describe:**

- private sector benefit structures
- master trusts
- cross border schemes

**identify** the features of:

- insured schemes
- self administered schemes
- executive pension arrangements and employer financed retirement benefit schemes

8. **analyse** a registered pension scheme and the advantages conferred by registered scheme status

**outline** the Finance Act 2004

**describe** the advantages for:

- contributions
- investment
- benefits (retirement and death)

9. **understand** the context of the principal features of the current tax regime governing registered pension schemes

**define** Benefit Crystallisation Events (BCEs) and the Lifetime Allowance, including protection

**outline** the features of the Annual Allowance, including Tapered Annual Allowance

**identify** authorised and unauthorised payments

10. **understand** the tax treatment of unregistered schemes

**define:**

- Employer Funded Retirement Benefit Schemes
- Recognised Overseas Pension Schemes

11. **outline** the various benefit crystallisation events when an individual leaves a workplace pension scheme and **understand** the advantages and disadvantages, administrative requirements including the provision of guidance and risks associated with different benefit options

**describe** the options on early leaving, refunds, deferred benefits, transfers (in and out)

**define** the options before retirement, including redundancy and ill-health

**identify** the benefits payable on death

**explain** the options available arising from divorce

**describe** the retirement options:

- ill-health retirement
- phased retirement
- flexible retirement
- lump sum options including trivial commutation
- income drawdown (capped and flexible)
- different types of annuities

12. **understand** the context of the UK tax system and its impact on individuals and trusts, including liability, collection and computation  
**describe** the main features of:
- *Income Tax*
  - *National Insurance*
  - *Capital Gains Tax*
  - *Inheritance Tax*
  - *Stamp Duty*
  - *Value Added Tax (VAT)*
  - *Corporation Tax*
13. **analyse** the nature of the macro economic environment
- describe** the main economic trends and **explain** the globalisation of markets  
**explain** the concept of economic and financial cycles and **define** the key economic indicators  
**describe** monetary and fiscal policy  
**explain** the balance of payments  
**define** the role of financial investment
14. **understand** the context of the principal asset classes  
**define** the characteristics of:
- *equities (UK and overseas)*
  - *bonds (fixed interest and index linked)*
  - *cash*
  - *property*
  - *alternative investments*
  - *asset allocation*
15. **understand** the context and the characteristics and taxation of retail financial products  
**explain** the characteristics and taxation of:
- *direct and indirect investments*
  - *pooled vehicles*
  - *derivatives*
  - *venture capital trusts*
  - *investment trusts*
  - *with profits funds*
16. **evaluate** the needs and priorities for financial protection  
**analyse** priorities and choices and current and future capital and income requirements  
**explain**:
- *product suitability and other planning considerations*
  - *the concept of reviews*
17. **evaluate** the main types and uses of financial protection policies  
**describe** the role of insurance and the characteristics of:
- *income protection schemes*
  - *life assurance and pension based policies*
  - *critical illness cover*
  - *personal accident insurance*
  - *payment protection insurance*
  - *long term care*
  - *key person cover*
  - *health care schemes*
- explain** the concept of regular reviews

18. **understand** the taxation of financial protection policies  
***explain** the main features of the taxation of qualifying and non qualifying policies and life funds*
19. **understand** the principal State benefits  
***describe the** main types of State benefit and the limitations of State benefits*

## RETAIL ADVICE AND REGULATION

### Aim

To develop an understanding of the nature of the regulatory regime which governs the promotion and sale of retail investment products and the application of professional standards and judgement in establishing and maintaining client relationships, needs and priorities.

### Learning Outcomes

At the end of this unit, candidates will be able to:

- **analyse** the UK's financial services industry within an international context
- **explain** how the consumer is served by the financial services industry
- **understand** the context of the regulation of financial services and the bodies charged with this role and provide assistance or protection to members and employers
- **analyse** the FCA's responsibilities and approach to regulation
- **define** the principles and rules as set out within the regulatory framework
- **analyse** the FCA's use of principles and outcomes-based regulation
- **understand** how companies and individuals working in the pensions field are regulated by the FCA
- **understand** the context of the Code of Ethics and **distinguish** between ethical and compliance-based outcomes
- **evaluate** the application of professional standards and judgement in establishing and maintaining client relationships, needs and priorities
- **understand** financial calculations and risk
- **understand** the key features of the main investment theories
- **understand** the context of investment planning and performance monitoring
- **understand** the legal concepts relevant to financial advice
- **understand** the concept and practice of pension transfers
- **outline** recent developments in legislation and forthcoming changes that will impact on retail advice involving pension provision

### Syllabus

1. **analyse** the UK's financial services industry within an international context
  - describe the role and structure of the UK and international markets*
  - explain the impact of EU law*
  - define the role of Government in setting economic and industrial policy*
  - explain the function of financial services within the wider economy*
2. **explain** how the consumer is served by the financial services industry
  - describe the role of the providers of financial products*
  - explain the relationship between product providers, advisers and consumers*
  - analyse the perception of financial services*
  - identify the main financial needs and how they are met*
3. **understand** the context of the regulation of financial services and the bodies charged with this role and provide assistance or protection to members and employers
  - outline the role and powers of:*
    - *Financial Conduct Authority (FCA)*
    - *HM Treasury*

- Bank of England
- Competition and Markets Authority (CMA)
  - The Pensions Regulator (TPR)
  - Department for Work and Pensions (DWP)
  - HM Revenue & Customs (HMRC)
  - Pensions Ombudsman Service (including PPF)
  - Financial Ombudsman Service
  - PPF Ombudsman
  - The Pensions Advisory Service (TPAS)
  - Citizens Advice Service (including Citizens Advice Bureau)
  - The Money Advice Service (MAS)
  - Pension Protection Fund (PPF)
  - Financial Assistance Scheme (FAS)
  - National Insurance Services to the Pensions Industry (NISPI)
  - The Information Commissioner
  - The Pension Tracing Service
  - Pensions Compensation Board
  - Pension Schemes Registry
  - Pension Wise

4. **analyse** the FCA's responsibilities and approach to regulation

**explain** the role of legislation including the Financial Services and Markets Act (FSMA) 2000, MiFID and EU regulation and relevant Directives

**describe** the FCA's powers and activities

**explain** financial stability, prudential regulation dealing with financial crime

**describe** the FCA handbook and business standards, including the conduct of business, rules for dealing with client assets market conduct code, and training and competence

**describe** the FCA's regulatory processes and risk-based supervision

**explain** oversight within firms

5. **define** the principles and rules as set out within the regulatory framework

**describe** the following:

- regulated activities
- controlled functions and the responsibilities of approved persons
- record keeping requirements
- the concept of professionalism
- the anti money laundering and proceeds of crime requirements
- the requirements for data protection

**explain** the complaints procedures and the Financial Services Compensation Scheme

5 **analyse** the FCA's use of principles and outcomes-based regulation

**explain** principles for businesses

**explain** corporate culture and leadership

**describe** the responsibilities of approved persons

6 **understand** how companies and individuals working in the pensions field are regulated by the FCA

**outline** the characteristics of:

- statements of principle
- financial advice
- best advice
- treating customers fairly

- *advertising and promotion*
- *regular reviews of suitability*
- *Retail Distribution Review*
- *Financial Advice Market Review (FAMR)*

7 **understand** the context of the Code of Ethics and **distinguish** between ethical and compliance-based outcomes

**explain** the over-arching code of ethics and **describe** the professional principles and values on which the Code is based

**explain** the management of ethical dilemmas and **describe** typical behavioural indicators

**explain** outcomes which arise from behaving ethically and those which arise through limiting behaviour to compliance

8 **evaluate** the application of professional standards and judgement in establishing and maintaining client relationships, needs and priorities

**explain** the importance of:

- *gathering information*
- *analysing circumstances and requirements*
- *making recommendations*
- *effective communication*
- *monitoring and reviewing*

**explain** the concept of know your client and suitability reports

9 **understand** financial calculations and risk

**explain** the time value of money and the main types of risk

10 **understand** the key features of the main investment theories

**describe** the following:

- *portfolio theory, diversification and hedging*
- *behavioural finance*

11 **understand** the context of investment planning and performance monitoring

**describe** the following:

- *portfolio construction, performance and review*
- *wraps and other platforms*

12 **understand** the legal concepts relevant to financial advice

**explain** the following concepts:

- *legal persons and power of attorney*
- *property ownership*
- *insolvency and bankruptcy*

**describe** the following:

- *contract law and agency*
- *wills and intestacy*
- *the main types of trusts and their uses and their creation and administration*

13 **understand** the concept and practice of pension transfers

**describe** the concept of a pension transfer and the role of regulation in relation to pension

**explain** the following:

- *the administrative requirements and procedures surrounding pension transfers*
- *the roles and responsibilities of those involved in pension transfer issues*



- *the calculation of transfer values*
- *the concept of transfer incentives and the related legal requirements*

**analyse** *the advantages and disadvantages of pension transfers and the implications for all parties*

14 **outline** recent developments in legislation and forthcoming changes that will impact on retail advice involving pension provision

**explain** *the impact of recent developments*

## CONSTITUENT COMPULSORY UNIT

### Professionalism and Governance

#### Aim:

To provide candidates with:

- an understanding of the importance of professionalism and ethics
- the importance of continuing their own professional development
- an appreciation of risk and governance issues as they apply to pension schemes,
- the opportunity to demonstrate their ability to apply risk and governance principles in a practical situation
- evidence that they can communicate their knowledge in a way that is relevant to their audience.

1. **demonstrate an awareness** of the Professional Standards expected of PMI Members as set out in the PMI Code of Professional Conduct.

**explain** the importance of the following:

- *acting with the highest standards of professionalism and integrity*
- *providing a high standard of service*
- *acting in the best interests of each client*
- *treating people fairly regardless of race or racial group, sex or sexual orientation, religion or belief; age and disability*

2. **demonstrate an understanding** of the importance of continuing personal development (CPD)

**explain** each of the following:

- *Trustee Knowledge and Understanding (TKU)*
- *continuing professional development and the requirements of the PMI and other professions*

3. **demonstrate an understanding** of professionalism and business ethics

**explain** the importance of the following:

- *corporate culture*
- *dealing with complaints*
- *conflicts of interest*
- *ethical dilemmas - identification, implications and appropriate behaviour*
- *whistle-blowing legislative requirements and the protections given to whistle blowers*

4. **explain** the commercial aspects of operating a workplace pension scheme

**analyse** each of the following:

- *nature of costs*
- *cost control*
- *budgeting*
- *contracts management and agreements*

**5. demonstrate an understanding** of the management and measurement of service delivery

**explain** each of the following:

- *selecting, monitoring and changing advisers*
- *managing client relationships*
- *service level agreements*
- *type, role and value of performance measures*
- *reporting*
- *contract remedies*
- *quality management systems and kite marks*
- *benchmarking*
- *member and client surveys*
- *complaint/dispute resolution*

**6. demonstrate an understanding** of the importance of good governance in managing a workplace pension scheme

**explain** the features of scheme governance

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

**outline** the importance of:

- *risk management*
- *member communication and engagement*
- *investment and manager selection*

**evaluate** each of the following:

- *structures/governance committees*
- *internal controls*
- *scheme documents including*
  - *governance statement*
  - *annual business plan*
  - *training records*
- *documentation and record keeping*
- *relevant Pensions Regulator Codes of Practice and guidance*
- *data quality*
- *selection, management and review of advisers and providers*
- *recognised industry standards e.g. ICAEW's AAF 01/06, FRAG 21 reports*

**7. outline** factors taken into consideration when selecting, monitoring and changing investment managers

**explain** each of the following:

- *identifying investment requirements*
- *manager selection processes*
- *custody and title of assets*
- *fee structures*
- *setting investment performance targets*
- *ethical and socially responsible investment*
- *investment management agreements*
- *administration*
- *transition management*
- *monitoring investment performance and governance*

**8. demonstrate an understanding of internal controls**

***describe** internal controls*

***explain** why internal controls are required*

***describe** the assessment of risk*

**9. explain the role of the trustees in managing risk**

***outline** the process of governance review/risk management*

***outline** preparation and management of a risk register*

***identify** how to mitigate risk*

***analyse** the nature of de-risking*

***analyse** the role of the TKU requirements*