

Advanced Pension Commencement Lump Sum Rules (including Scheme Specific Protection)

The Main Aim of the Unit

The aim of this Unit is to provide occupational pension scheme administrators with an understanding of the Pension Commencement Lump Sum (PCLS) principles for Defined Benefit and Defined Contribution pension schemes and how to do the complex calculations involving scheme specific protection, enhanced, primary and fixed protection cases.

The learner will need to know and understand:

Background to Protection of Pension Commencement Lump Sums (PCLS).
Scheme Specific Protection: <ul style="list-style-type: none">• Why scheme specific protection may apply:<ul style="list-style-type: none">◦ Inland Revenue limits prior to A-day (2006) and Simplification changes.• How to check whether a member's PCLS qualifies for scheme specific protection.• How to calculate a member's scheme protected PCLS in a Defined Contribution or Defined Benefit schemes.
AVCs and scheme protected PCLS: <ul style="list-style-type: none">• How to calculate a PCLS for a member with Defined Contribution (DC) Additional Voluntary Contributions (AVC's) within a Defined Benefit (DB) scheme.
Primary Protection, Enhanced and Fixed Protection: <ul style="list-style-type: none">• How a PCLS can be protected under Primary, Enhanced and Fixed Protection.• The format and interpretation of Her Majesty's Revenue and Custom (HMRC) Protection Certificates.
HMRC tax implications for a Protected PCLS: <ul style="list-style-type: none">• Know the HMRC conditions to ensure that a PCLS does not become classed as an unauthorised payment.
The term "recycling of a PCLS" <ul style="list-style-type: none">• Know why recycling of a PCLS can be classed as an unauthorised payment by HMRC.

The Learning Outcomes for this unit are:

On successful completion of this unit the learner will:

1. Be able to identify when a member qualifies for Scheme Specific protection of a PCLS.
2. Explain the consequences of a paying a PCLS outside of Her Majesty's Revenue and Customs (HMRC) conditions.
3. Explain the HMRC term "recycling" of a PCLS and provide examples of recycling.
4. Distinguish between Primary, Enhanced and Fixed Protection and how a PCLS can be protected.
5. Identify whether a PCLS has been protected by Primary, Enhanced and Fixed Protection.
6. Calculate the maximum PCLS available for different members that qualify for Scheme Protection.
7. Summarise the HMRC conditions for PCLS payment.
8. Describe the conditions that need to be met to prevent the payment from being classed as unauthorised.
9. Explain the tax implications of paying a PCLS that is outside of the HMRC conditions.

Assessment Method:

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