

# Pensions and retirement planning

## Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of and ability to analyse:

- main tax and legal frameworks that govern retirement benefits under registered pension schemes;
- features of defined contribution and defined benefit pensions;
- State retirement benefits available, including the risks and suitability of contracting out of the State Second Pension.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the political, economic and social environment factors which provide the context for pensions planning.	5 standard format
2. Understand how the HM Revenue & Customs (HMRC) tax regime applies to pensions planning.	10 standard format
3. Understand the relevant aspects of pensions law and regulation to pensions planning.	4 standard format
4. Understand the structure, characteristics and application of Defined Benefit (DB) schemes to an individual's pension planning.	7 standard format
5. Analyse the range of Defined Contribution (DC) scheme options as they apply to an individual's pension planning.	4 standard format/ 2 multiple response
6. Analyse the options and factors to consider for drawing pension benefits.	5 standard format/ 4 multiple response
7. Explain the structure, relevance and application of State schemes to an individual's pension planning.	4 standard format
8. Evaluate the aims and objectives of retirement planning, including the relevant investment issues.	5 multiple response

\*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- **Method of assessment: 50 questions: 39 standard format and 11 multiple response questions. 1 hour is allowed for this examination.**
- **This syllabus will be examined from 1 September 2018 to 31 August 2019.**
- **Candidates will be examined on the basis of English law and practice in the tax year 2018/2019 unless otherwise stated.**
- **It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.**
- **Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:**
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Understand the political, economic and social environment factors which provide the context for pensions planning.**
  - 1.1 Describe the role of Government, policy direction, challenges and reforms.
  - 1.2 Describe corporate responsibilities, their challenges and impact on pension planning.
  - 1.3 Describe demographic trends, longevity and the ageing population.
  - 1.4 Describe incentives, disincentives and attitudes to saving.
  - 1.5 Explain the main pension scheme types and methods of pension provision.
- 2. Understand how the HM Revenue & Customs (HMRC) tax regime applies to pensions planning.**
  - 2.1 Explain how the HMRC tax regime applies to pensions planning:
    - Contributions and tax relief
    - Pension scheme investment funds
    - Death benefits
    - Retirement benefits
    - Transitional reliefs
  - 2.2 Explain how the following are applied:
    - Annual allowances
    - Tapering of the annual allowance
    - Lifetime allowance
    - Associated charges
  - 2.3 Outline the tax treatment of other types of schemes.
- 3. Understand the relevant aspects of pensions law and regulation to pensions planning.**
  - 3.1 Explain the relevant aspects of pensions law and regulations.
  - 3.2 Describe the role and duties of trustees and administrators of pension schemes.
- 4. Understand the structure, characteristics and application of Defined Benefit (DB) schemes to an individual's pension planning.**
  - 4.1 Describe the main types, attributes and benefits of DB pension provision including the rules and operation of DB schemes.
  - 4.2 Outline the funding methods and related issues.
  - 4.3 Explain the role of trustees and other parties, including scheme reporting.
  - 4.4 Describe the factors to consider and the benefits on leaving, early and normal retirement including the main transfer issues in broad terms.
  - 4.5 Explain the benefits available on ill health and death.
  - 4.6 Explain eligibility and top-up options.
  - 4.7 Describe the structure, main attributes and benefits of public sector schemes.
- 5. Analyse the range of Defined Contribution (DC) scheme options as they apply to an individual's pension planning.**
  - 5.1 Analyse the types of DC schemes, their main attributes and benefits.
  - 5.2 Explain the legal bases of DC schemes and their impact on an individual's pension planning.
  - 5.3 Outline the benefits on leaving, and death before and after age 75.
  - 5.4 Outline transfer issues and considerations.
- 6. Analyse the options and factors to consider for drawing pension benefits.**
  - 6.1 Analyse the options to consider in drawing State Retirement Benefits.
  - 6.2 Analyse the options available from DB schemes for drawing pension benefits.
  - 6.3 Analyse the options available from DC schemes for drawing pension benefits.
  - 6.4 Analyse the suitability of phased retirement.
  - 6.5 Explain the small pots and trivial commutation rules.
- 7. Explain the structure, relevance and application of State schemes to an individual's pension planning.**
  - 7.1 Explain the structure, relevance and application of State Retirement Benefits, State Death Benefits and the Pension Credit framework as part of an individual's pension planning.

## 8. Evaluate the aims and objectives of retirement planning including the relevant investment issues.

### 8.1 Evaluate the aims and objectives of retirement planning in relation to:

- An individual's aims and objectives
- Investments available to meet these objectives
- Alternative sources of retirement income
- Regular reviews and the factors affecting them
- Asset allocation factors
- The main characteristics of self-investment

## Reading list

The following list provides details of additional resources which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Pensions and retirement planning. London: CII. Study text R04.

### Books

A modern approach to lifetime tax planning for private clients (with precedents). Christopher Whitehouse, Lesley King. Bristol: Jordans, 2016.

CCH Tax planning: individuals 2016-17. Paul Robbins. Kingston: Wolters Kluwer, 2016.

Financial planning with trusts: 2017/18 edition. John Wooley. Chester: Claritax Books, 2017.

Pensions law handbook. 13th ed. Haywards Heath, West Sussex: Bloomsbury Professional Ltd., 2017.

Pension tax guide: a tax guide 2017-2018. Robert Gaines. Chester: Claritax Books, 2017.

### eBooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Recreating sustainable retirement: resilience, solvency and tail risk. P. Brett Hammond, et al. Oxford: Oxford University Press, 2014.

Retirement portfolios: theory, construction and management. Michael J. Zwecher. Hoboken: Wiley, 2010.

## Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

- The current State Pension scheme. Paul Clarke.
- State Pension age. Paul Clarke.
- Single-tier State Pension. Paul Clarke.
- State Pension credit. Paul Clarke.
- The overseas pensioner. Paul Clarke.

Additional articles and technical bulletins are available under the Life and Pensions section of the website at [www.cii.co.uk/knowledge/life-pensions](http://www.cii.co.uk/knowledge/life-pensions).

## Journals and magazines

Financial adviser. London: FT Business. Weekly. Available online at [www.ftadviser.com](http://www.ftadviser.com).

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at [www.thepfs.org/financial-solutions-archive](http://www.thepfs.org/financial-solutions-archive) (CII/PFS members only).

Money management. London: FT Business. Monthly. Available online [www.ftadviser.com/brand/money-management](http://www.ftadviser.com/brand/money-management).

Money marketing. London: Centaur Communications. Weekly. Available online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk).

Pensions age. London: Perspective. Monthly. Also available at [www.pensionsage.com](http://www.pensionsage.com).

Pensions week. London: FT Finance. Weekly.

Pensions insight. Newsquest Specialist Media. Monthly. Also available at [www.pensions-insight.co.uk](http://www.pensions-insight.co.uk).

Professional pensions. London: Incisive Media. Weekly. Also available at [www.professionalpensions.com](http://www.professionalpensions.com).

## Reference materials

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

Butterworths pensions legislation service. London: LexisNexis UK. Looseleaf, updated.

Pensions: law and practice with precedents. London: Sweet & Maxwell. Looseleaf, updated.

Sweet & Maxwell's law of pension schemes. Nigel Inglis Jones. London: Sweet & Maxwell. Looseleaf, updated.

Tolley's guide to pensions taxation terminology. Alec Ure. 4th edition. London: LexisNexis Tolley, 2014.

Pensions pocket book. London: Economic and Financial Publishing Ltd in association with Aon Hewitt. Annual.

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).