

# Pension transfers

## Learning outcomes

At the end of this unit, candidates will be able to use technical knowledge and analysis to:

1. Explain fundamental aspects of the pension transfer framework;
2. Understand the implications of transferring between different types of pensions;
3. Advise on pension transfers in a range of client specific circumstances and scenarios.

## Entry guidance

It is assumed that the candidate already has the knowledge gained from a study of unit Ro4 Pensions and retirement planning and Jo5 Pension income options or equivalent.

## Important notes

- This syllabus will be examined in the October 2018 and April 2019 sessions.
- Candidates will be examined on the basis of English law and practice in the tax year 2018/2019 unless otherwise stated.
- The general rule is that exams are based on the English legislative position three months before the date of the exams.
- 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. Explain fundamental aspects of the pension transfer framework**
  - 1.1 Explain the key rules, requirements and definitions relevant to pension transfers, opt-outs and conversions as set out by:
    - The Financial Conduct Authority;
    - The Pensions Regulator;
    - Legislation.
  - 1.2 Explain the roles and responsibilities of the main parties involved in the pension transfer process.
  - 1.3 Explain key elements of the pension transfer advice process:
    - Process and considerations in calculating the cash equivalent transfer value (CETV);
    - Key stages of the advice process including relevant timeframes;
    - Main factors to consider when determining the suitability or otherwise of the transfer;
    - The FCA advice process including prescribed comparator tools.
- 2. Understand the implications of transferring between different types of pension**
  - 2.1 Explain the main features of Defined Benefit (DB) Schemes and other Safeguarded Benefits, and their impact on the transfer recommendation.
  - 2.2 Explain the factors to be taken into account if a DB scheme is underfunded:
    - Employer covenant;
    - Recovery plan;
    - Pension Protection Fund (PPF).
  - 2.3 Explain the main features of the receiving scheme and their impact on the transfer recommendation:
    - Pension Commencement Lump Sum;
    - Annuities;
    - Flexi-Access Drawdown;
    - Uncrystallised Funds Pension Lump Sum;
    - Phasing benefits;
    - Death benefits;
    - Charges.
  - 2.4 Explain the impact on income and death benefits of:
    - Investment risk;
    - Mortality risk;
    - Matching income and investment strategies;
    - Safe withdrawal rate;
    - Sequencing risk;
    - Economic risk such as inflation and changes in interest rates;
    - Annuity options;
    - Tax.
  - 2.5 Explain key issues relating to pension transfers:
    - Lifetime allowance and transitional protections;
    - Incentive exercises;
    - Funding and solvency;
    - Divorce;
    - Transfers to and from overseas schemes;
    - Attitude to risk and capacity for loss;
    - Previous investment experience;
    - Partial transfers;
    - Block transfers and winding up;
    - Lifetime cash flow modelling and stress testing.

### 3. Advise on pension transfers in a range of client specific circumstances and scenarios

#### 3.1 Analyse the appropriateness of pension transfers in a range of scenarios:

- Defined Benefit to Defined Contribution;
- Safeguarded Benefit to Defined Contribution;
- Future Benefit Crystallisation;
- Immediate Benefit Crystallisation.

#### 3.2 Apply suitable solutions to potential pension transfers, taking into account factors such as:

- Reconciling client objectives and needs with trade-offs between retirement needs and other factors;
- Income Tax and Inheritance Tax planning;
- Lifetime allowance implications;
- Use of protection policies to provide death benefits.

## 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 listed here will help you keep up-to-date with developments and 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 resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, 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

Pension transfers. London: CII. Study text AF7.

Pensions and retirement planning. London: CII. Study text Ro4.

Pensions income options. London: CII. Study text Jo5.

Both texts are included as electronic resources within AF7 RevisionMate ([www.revisionmate.com](http://www.revisionmate.com)).

## Books

Organisational behaviour: an introductory text. Andrzej Huczynski, David Buchanan. 8th ed. Financial Times/Prentice Hall, 2013.

## 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.

## Fact files and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, 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 Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

The current State Pension scheme. Paul Clarke.

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## **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).

## **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).