

R04 Pensions and retirement planning 2024/2025



Learning Outcome

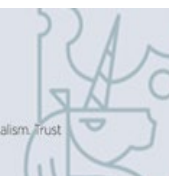
Assessment Criteria

Indicative Content

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|--------------------------------------|---|-----|--|-------|---|
| 1 5 Standard Questions | 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. | 1.1.1 | Role of Government, policy direction, challenges and proposed reforms, guidance guarantee. |
| | | 1.2 | Describe corporate responsibilities, their challenges and impact on pension planning. | 1.2.1 | Corporate responsibilities, challenges and impact on pension provision. |
| | | 1.3 | Describe demographic trends longevity and the ageing population. | 1.3.1 | Demographic trends, longevity and ageing population. |
| | | 1.4 | Describe incentives, disincentives and attitudes to saving. | 1.4.1 | Incentives, disincentives and attitudes to saving. |
| | | 1.5 | Explain the main pension scheme types and methods of pension provision. | 1.5.1 | State pension benefits. |
| | | | | 1.5.2 | Defined Benefit (DB) schemes, funding and benefits. |
| | | | | 1.5.3 | Defined Contribution (DC) schemes, funding and benefits. |
| 2 10 Standard Questions | Understand how the HM Revenue and Customs (HMRC) tax regime applies to pensions planning. | 2.1 | Explain how the HMRC tax regime applies to pensions planning: <ul style="list-style-type: none"> • Contributions and tax relief. • Pension scheme investment funds. • Transitional reliefs. • Retirement benefits. • Death benefits. | 2.1.1 | Funding/contributions to registered pension schemes, tax relief provision. |
| | | | | 2.1.2 | Pension scheme investment funds. |
| | | | | 2.1.3 | Death benefits before and after age 75. |
| | | | | 2.1.4 | Pension scheme retirement benefits. |
| | | | | 2.1.5 | Outline of relevant transitional reliefs. |
| | | 2.2 | Explain how the following are applied: <ul style="list-style-type: none"> • Annual allowances. • Tapering of the annual allowance. • Lifetime allowance • Lump sum allowance • Lump sum and death benefit allowance • Overseas transfer allowance • Associated charges. | 2.2.1 | Outline of the annual allowance, money purchase annual allowance, lifetime allowance, lump sum allowance, lump sum death benefit allowance, overseas transfer allowance and associated charges. |
| | | 2.3 | Outline the tax treatment of other types of schemes. | 2.3.1 | Qualifying Recognised Overseas Pension Schemes (QROPS). Tax treatment for non-resident members. |

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| 3 4 Standard Questions | Understand the relevant aspects of pensions law and regulation to pensions planning. | 3.1 | Explain the relevant aspects of pensions law and regulation. | 3.1.1 | The Pensions Regulator compliance requirements. |
| | | | | 3.1.2 | Pension protection schemes. |
| | | | | 3.1.3 | Trust and contract-based pensions. |
| | | | | 3.1.4 | Pensions and divorce. |
| | | | | 3.1.5 | Employment law relevant to pensions. |
| | | | | 3.1.6 | Bankruptcy law and pension assets. |
| | | 3.1.7 | Workplace pension rules, automatic enrolment requirements, eligibility and contribution levels, master trust schemes including NEST and The People's Pension. | | |
| | | 3.2 | Describe the role and duties of trustees and administrators of pension schemes. | 3.2.1 | Role and duties of trustees and administrators. |
| 4 7 Standard Questions | 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. | 4.1.1 | Main attributes and benefits of DB pension provision. |
| | | | | 4.1.2 | Main types, variations and hybrids. |
| | | | | 4.1.3 | Rules and operation of DB schemes. |
| | | 4.2 | Outline the funding methods and related issues. | 4.2.1 | Outline of funding methods and related issues. |
| | | 4.3 | Explain the role of trustees and other parties, including scheme reporting. | 4.3.1 | Roles of trustees and other parties, and 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. | 4.4.1 | Factors to consider and benefits on leaving, early and normal retirement. |
| | | | | 4.4.2 | Transfer issues in broad terms. |
| | | 4.5 | Explain the benefits available on ill health and death. | 4.5.1 | Benefits on ill health and death. |
| | | 4.6 | Explain eligibility and top-up options. | 4.6.1 | Eligibility criteria and top-up options. |
| 4.7 | Describe the structure, main attributes and benefits of public sector schemes. | 4.7.1 | Public sector schemes, transfer issues. | | |



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| 5 4 Analytical Questions 2 Multiple Response | 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. | 5.1.1 | Main attributes and benefits of DC pension provision. |
| | | | | 5.1.2 | Main types of DC schemes and their rules and operation. |
| | | | | 5.1.3 | Contributions – methods and issues. |
| | | | | 5.1.4 | Scheme options, limitations and restrictions. |
| | | 5.2 | Explain the legal bases of DC schemes and their impact on an individual's pension planning. | 5.2.1 | Legal bases for schemes and main impacts. |
| 5.3 | Outline the benefits on leaving, and death before and after age 75. | 5.3.1 | Benefits on leaving and death before and after age 75. | | |
| | | 5.4 | Outline transfer issues and considerations. | 5.4.1 | Transfer issues and considerations. |
| 6 5 Analytical Questions 4 Multiple Response | Analyse the options and factors to consider for drawing pension benefits. | 6.1 | Analyse the options to consider in drawing State Retirement Benefits. | 6.1.1 | State retirement benefits. |
| | | | | 6.1.2 | Timing of decisions and implementation. |
| | | 6.2 | Analyse the options available from DB schemes for drawing pension benefits. | 6.2.1 | Scheme benefits, payment guarantees, survivor benefits. |
| | | | | 6.3.1 | Secured pensions, types of annuities and main features. |
| | | | | 6.3.2 | Drawdown pensions – capped and flexi access, short term annuities. |
| | | | | 6.3.3 | Compliance requirements. |
| 6.3.4 | Uncrystallised funds pension lump sum (UFPLS). | | | | |
| 6.4 | Analyse the suitability of phased retirement. | 6.4.1 | Phased retirement – options, benefits and risks of using annuitisation, flexi-access or UFPLS to produce income. | | |
| 6.5 | Explain the small pots and trivial commutation rules. | 6.5.1 | Small pots, trivial commutation rules. | | |
| 7 4 Standard Questions | Explain the structure, relevance and application of the 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. | 7.1.1 | State retirement benefits, historic and current, in outline. |
| | | | | 7.1.2 | Pension Credit framework in outline. |
| | | | | 7.1.3 | State death benefits. |



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| 8 | Evaluate the aims and objectives of retirement planning including the relevant investment issues. | <p>These standards build on the content outlined in the Investment Principles and Risk core unit and assume achievement of the learning outcomes.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 Multiple Response | <p>8.1 Evaluate the aims and objectives of retirement planning in relation to:</p> <ul style="list-style-type: none"> • An individual's aims objectives and circumstances. • 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. | <p>Assessing and quantifying retirement aims and objectives:</p> <table border="1"> <tr> <td>8.1.1.1</td> <td>Availability and prioritisation of savings.</td> </tr> <tr> <td>8.1.2</td> <td>Assumptions and impacts.</td> </tr> <tr> <td>8.1.3</td> <td>Conflict with other objectives.</td> </tr> <tr> <td>8.1.4</td> <td>Timescales and risk.</td> </tr> <tr> <td>8.1.5</td> <td>Inheritance Tax (IHT) / generational planning.</td> </tr> <tr> <td>8.1.6</td> <td>Cash flow/ stress testing.</td> </tr> </table> <p>Investments available to meet this objective:</p> <table border="1"> <tr> <td>8.1.7</td> <td>Suitability and risk.</td> </tr> <tr> <td>8.1.8</td> <td>Rates of return needed.</td> </tr> <tr> <td>8.1.9</td> <td>Accumulation and decumulation strategies, life-styling.</td> </tr> <tr> <td>8.1.10</td> <td>Products and wrappers, advantages and constraints, critical yield.</td> </tr> <tr> <td>8.1.11</td> <td>Other sources of non-pension income.</td> </tr> <tr> <td>8.1.12</td> <td>Asset allocation factors, relationship to overall portfolio.</td> </tr> </table> <p>Self investment:</p> <table border="1"> <tr> <td>8.1.13</td> <td>Main characteristics.</td> </tr> </table> <p>Alternative solutions for pension income:</p> <table border="1"> <tr> <td>8.1.14</td> <td>Alternative sources of capital including non-pension investment assets, home equity, proceeds from sale of a business, inheritance.</td> </tr> <tr> <td>8.1.15</td> <td>Advantages and drawbacks.</td> </tr> <tr> <td>8.1.16</td> <td>Factors affecting regular reviews.</td> </tr> </table> | 8.1.1.1 | Availability and prioritisation of savings. | 8.1.2 | Assumptions and impacts. | 8.1.3 | Conflict with other objectives. | 8.1.4 | Timescales and risk. | 8.1.5 | Inheritance Tax (IHT) / generational planning. | 8.1.6 | Cash flow/ stress testing. | 8.1.7 | Suitability and risk. | 8.1.8 | Rates of return needed. | 8.1.9 | Accumulation and decumulation strategies, life-styling. | 8.1.10 | Products and wrappers, advantages and constraints, critical yield. | 8.1.11 | Other sources of non-pension income. | 8.1.12 | Asset allocation factors, relationship to overall portfolio. | 8.1.13 | Main characteristics. | 8.1.14 | Alternative sources of capital including non-pension investment assets, home equity, proceeds from sale of a business, inheritance. | 8.1.15 | Advantages and drawbacks. | 8.1.16 | Factors affecting regular reviews. |
| 8.1.1.1 | Availability and prioritisation of savings. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1.2 | Assumptions and impacts. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 8.1.5 | Inheritance Tax (IHT) / generational planning. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 8.1.8 | Rates of return needed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1.9 | Accumulation and decumulation strategies, life-styling. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1.10 | Products and wrappers, advantages and constraints, critical yield. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 8.1.12 | Asset allocation factors, relationship to overall portfolio. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1.13 | Main characteristics. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 8.1.15 | Advantages and drawbacks. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8.1.16 | Factors affecting regular reviews. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |