

Pensions update

At the end of this unit, candidates should understand the:

- changes introduced by the Taxation of Pensions Act 2014;
- changes to the State pension provision from 6 April 2016;
- key factors to take into account when advising clients on their retirement income.

Summary of learning outcomes	Number of questions in the examination*
1. Explain the changes to the HM Revenue and Customs (HMRC) tax regime introduced by the Taxation of Pensions Act 2014 and subsequent key changes.	11
2. Explain the new legislative, reporting and compliance requirements arising from the pension reforms.	5
3. Explain the main changes in the rules for members transferring their benefits.	5
4. Explain the changes to pension income options.	14
5. Explain the changes that will be made to State pension provision from 6 April 2016.	5
6. Analyse the key factors that should be taken into account when advising a client how to derive an income in retirement.	5

* 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.

Entry guidance

It is assumed that the candidate already has the knowledge gained from study of one of the Level 4 units - R04 Pensions and retirement planning or Jo4 Pension funding options – or as an alternative, any higher level pension unit such as AF3 Pension planning or G60 Pensions or their equivalent.

Important notes

- **Method of assessment:** 40 multiple choice questions (MCQs) and 1 case study comprising 5 MCQs. 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2017 to 31 August 2018.
- Candidates will be examined on the basis of English law and practice in the tax year 2017/2018 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
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

- 1. Explain the changes to the HM Revenue and Customs (HMRC) tax regime introduced by the Taxation of Pensions Act 2014 and subsequent key changes.**
 - 1.1 Explain the changes to the operation of the annual allowance.
 - 1.2 Explain the impact of the 2014 Act on benefits when they are taken, including:
 - Benefit Crystallisation Events;
 - Triviality and small pots;
 - Pension Commencement Lump Sums including recycling.
 - 1.3 Explain the changes to the taxation of benefits received by the member.
 - 1.4 Explain the changes to the taxation of death benefits on the member's death before and after age 75.
 - 1.5 Explain the impact of changes to the tax regime on overseas schemes.
- 2. Explain the new legislative, reporting and compliance requirements arising from the pension reforms.**
 - 2.1 Explain the reporting requirements set out in the Taxation of Pensions Act 2014.
 - 2.2 Explain the following:
 - FCA compliance requirements;
 - Consumer protection including Pension Wise.
- 3. Explain the main changes in the rules for members transferring their benefits.**
 - 3.1 Explain the following:
 - FCA rules on transfers;
 - Public sector transfers;
 - Member rights to transfer;
 - Transfer where the member has protected tax free cash or protected pension age;
 - Transferring crystallised benefits.
- 4. Explain the changes to pension income options.**
 - 4.1 Explain the new features available under lifetime annuities and scheme pensions.
 - 4.2 Explain the following options:
 - Uncrystallised funds pension lump sum (UFPLS) option;
 - Flexi-access drawdown pension option;
 - Capped drawdown pension option.
 - 4.3 Explain the benefits and drawbacks of the different methods of taking an income from a pension including phasing benefits.
- 5. Explain the changes that will be made to State pension provision from 6 April 2016.**
 - 5.1 Explain the rules relating to the introduction of the single tier State pension.
 - 5.2 Explain the changes to related State benefits.
 - 5.3 Explain the abolition of contracting out for defined benefit schemes.
- 6. Analyse the key factors that should be taken into account when advising a client how to derive an income in retirement.**
 - 6.1 Explain how to interpret client information and objectives.
 - 6.2 Analyse the most appropriate source of income in retirement for a client taking into account tax and succession planning.

Reading list

The following list provides details of various publications 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 publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

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

CII study texts

Pensions update. London: CII. Study text Ro8.

Books

Pension magic: how to make the taxman pay for your retirement. 6th ed. Nick Braun PhD. Kircaldy: Tax Cafe, 2016.

Pensions law handbook. 13th ed. Pensions Department of Nabarro Nathanson. Tottel, 2017.

Pension tax guide: a tax guide 2016-2017. 3rd ed. Robert Gaines. Chester: Claritax Books, 2016.

Factfiles

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 (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.

Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Also available at www.thepfs.org/knowledge (CII/PFS members only).

Pensions age. London: Perspective. Monthly. Also available at www.pensionsage.com.

Pensions expert. London: FT Finance. Weekly.

Pensions insight. Newsquest Specialist Media. Monthly. Also available at www.pensions-insight.co.uk.

Professional pensions. London: Inclusive Media. Weekly. Also available at www.professionalspensions.com.

Retirement strategy. Supplement to Money marketing. London: Centaur Communications. Monthly. Also available at www.moneymarketing.co.uk.

Reference materials

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

CCH Pensions Factbook. Kingston upon Thames: CCH. Looseleaf, updated.

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/lamont (CII/PFS members only).

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

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

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.

Tolley's tax guide. Arnold Homer, Rita Burrows. London: LexisNexis Butterworths. Annual.

Examination guides

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (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 versions of the examination guides.

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 (CII/PFS members only).