



## Higher National Unit specification: general information

**Unit title:** Pension Provision

**Unit code:** H0BY 35

**Superclass:** AL

**Publication date:** May 2012

**Source:** Scottish Qualifications Authority

**Version:** 01

### Unit purpose

This Unit is designed to enable candidates to explain UK pension provision and the use of pension schemes in given situations. It is primarily intended for candidates who expect to take up positions within pension companies or who intend to work in a sales, support or advisory position within the pensions industry or other related financial services institutions. The Unit introduces candidates to subjects covered in examinations prescribed by UK Financial Services regulatory authorities. It may also be suited to those undertaking business related courses or who have a personal interest in this topic.

On completion of the Unit the candidate should be able to:

- 1 Explain the features and benefits of state pension schemes
- 2 Explain the features and benefits of occupational pension schemes
- 3 Explain the features and benefits of non-standard occupational pension schemes and addition funded schemes
- 4 Explain the features and benefits of personal pension schemes

### Recommended prior knowledge and skills

Access to this Unit is at the discretion of the Centre. However it is recommended that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of the Core Skill *Communication* SCQF level 5, or by possession of Standard Grade English, or a suitable NC Unit and Core Skill component Using Number at SCQF level 5, or by possession of a relevant Unit.

## **General information (cont)**

### **Credit points and level**

2 Higher National Unit credits at SCQF level 8: (16 SCQF credit points at SCQF level 8\*)

*\*SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

### **Core Skills**

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes of this Unit specification.

There is no automatic certification of Core Skills or Core Skill components in this Unit.

### **Context for delivery**

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes. The delivery and assessment of this Unit should be updated annually to reflect current pension products and taxation rates.

### **Assessment**

It is recommended that this Unit be assessed by an instrument of assessment that would require candidates to answer questions based on a case study relating to a pensions scenario(s). The assessment should not normally take the average candidate more than two hours to complete.

The assessment exemplar for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement at SCQF Level 8. It is a valid, reliable and practicable instrument of assessment. Centres wishing to develop their own assessments should refer to the assessment exemplar to ensure a comparable standard. Assessment exemplars are available on SQA's secure website.

## Higher National Unit specification: statement of standards

**Unit title:** Pension Provision

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The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

### Outcome 1

Explain the features and benefits of state pension schemes.

#### Knowledge and/or Skills

- ◆ Funding state pensions
- ◆ Basic state retirement eligibility and benefits
- ◆ Pension credit framework
- ◆ Additional state retirement benefits, historic and current
- ◆ Contracting in/out considerations

#### Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on a case study relating to a pensions scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the five Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the use and/or classification of National Insurance Contributions (NICs)
- ◆ Calculate the state pension age and explain state pension entitlements in given situations
- ◆ Explain the use of and/or eligibility for pension credits
- ◆ Explain the main benefits of the State Earnings Related Benefits Scheme (SERPs) and the State Second Pensions (S2P)
- ◆ Explain one or more of the methods of contracting into/out of SERPS and S2P

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome and show accurate calculations where required which must not contain more than one error.

## Higher National Unit specification: statement of standards (cont)

**Unit title:** Pension Provision

Evidence should be generated through assessment under supervised conditions. Where a case study is used, candidates may be given a copy of the case study 7-10 days before the assessment takes place. Candidates may bring a copy of the case study to the assessment event along with up to two pages of A4 notes that they have made personally. They may not bring textbooks, handouts or other material not prepared by them. The notes and copy of the case study should be handed in at the end of the assessment.

### Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 2, 3 and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a single case study using a series of short response answers.

### Outcome 2

Explain the features and benefits of occupational pension schemes.

#### Knowledge and/or Skills

- ◆ Functions and duties of trustees
- ◆ Defined benefit pension schemes
- ◆ Defined contribution pensions schemes in the public and private sector
- ◆ Definition of earnings
- ◆ HMRC tax regime applying to occupational pensions

#### Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on a case study relating to a pensions scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the five Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the functions and duties of scheme trustees or member nominated trustees
- ◆ Explain the eligibility for membership or approval conditions for a defined benefit and defined contribution pension scheme
- ◆ Explain the main benefits and drawbacks of defined benefit and defined contribution pension schemes
- ◆ Explain how earnings may be calculated for pension purposes
- ◆ Explain the main HMRC limits that apply to occupational schemes

## Higher National Unit specification: statement of standards (cont)

### Unit title: Pension Provision

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome and show accurate calculations where required which must not contain more than one error.

Evidence should be generated through assessment under supervised conditions. Where a case study is used, candidates may be given a copy of the case study 7-10 days before the assessment takes place. Candidates may bring a copy of the case study to the assessment event along with up to two pages of A4 notes that they have made personally. They may not bring textbooks, handouts or other material not prepared by them. The notes and copy of the case study should be handed in at the end of the assessment.

### Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 3 and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a single case study using a series of short response answers.

### Outcome 3

Explain the features and benefits of non-standard occupational pension schemes and addition funded schemes.

### Knowledge and/or Skills

- ◆ Executive Pension Plans (EPP)
- ◆ Small Self Administered Schemes (SSAS)
- ◆ Unapproved Schemes
- ◆ Additional Voluntary Contribution Schemes (AVCs) and Freestanding Additional Voluntary Contribution Schemes (FSAVCs)
- ◆ Early leavers and transfers from schemes

### Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on a case study relating to a pensions scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **one** of the five Knowledge and/or Skills items is required each time the Outcome is assessed.

## Higher National Unit specification: statement of standards (cont)

### Unit title: Pension Provision

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the features and benefits of an Executive Pension Plan (EPP)
- ◆ Explain the features and benefits of a Small Self Administered Scheme (SSAS)
- ◆ Explain the features and benefits of a Funded Unapproved Retirement Benefits Scheme (FURBS) and Unfunded Unapproved Retirement Benefits Scheme UURBS scheme
- ◆ Explain the features and benefits of an Additional Voluntary Contribution Scheme (AVCs) and Freestanding Additional Voluntary Contribution Scheme (FSAVCs)
- ◆ Explain the rules relating to early leavers and transfers

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome and show accurate calculations where required which must not contain more than one error.

Evidence should be generated through assessment under supervised conditions. Where a case study is used, candidates may be given a copy of the case study 7-10 days before the assessment takes place. Candidates may bring a copy of the case study to the assessment event along with up to two pages of A4 notes that they have made personally. They may not bring textbooks, handouts or other material not prepared by them. The notes and copy of the case study should be handed in at the end of the assessment.

### Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 2, and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a single case study using a series of short response answers.

### Outcome 4

Explain the features and benefits of personal pension schemes.

#### Knowledge and/or Skills

- ◆ Scheme membership
- ◆ Annuities
- ◆ Self-Invested Pension Plans (SIPPs)
- ◆ Stakeholder Pensions
- ◆ Individual Pension Accounts (IPAs)
- ◆ HMRC tax regime relating to personal pensions
- ◆ Fund withdrawal and phased retirement

## Higher National Unit specification: statement of standards (cont)

**Unit title:** Pension Provision

### Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on a case study relating to a pensions scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the seven Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the eligibility rules for membership of a personal pension scheme and the benefits of joining a scheme and/or using it as a method of contracting out
- ◆ Explain how an annuity can be used within a personal pension scheme
- ◆ Explain the features and/or benefits of Self-Invested Pension Plans (SIPPs)
- ◆ Explain the features and/or benefits of Stakeholder Pensions
- ◆ Explain the features and/or benefits of Individual Pension Accounts
- ◆ Explain the tax regime relating to personal pension schemes (defining earnings, employer and individual contributions, tax relief carry back or forward)
- ◆ Explain the rules on fund withdrawal and phased retirement

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome and show accurate calculations where required which must not contain more than one error.

Evidence should be generated through assessment under supervised conditions. Where a case study is used, candidates may be given a copy of the case study 7-10 days before the assessment takes place. Candidates may bring a copy of the case study to the assessment event along with up to two pages of A4 notes that they have made personally. They may not bring textbooks, handouts or other material not prepared by them. The notes and copy of the case study should be handed in at the end of the assessment.

### Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 2, and 3 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a single case study using a series of short response answers.

## Higher National Unit specification: support notes

**Unit title:** Pension Provision

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 80 hours.

### Guidance on the content and context for this Unit

This Unit is primarily intended to prepare candidates for employment or further study in financial services.

**The following guidance was prepared in November 2011 based on current personal pension provision and regulations. Centres should ensure that candidates have used current information in their learning and that assessment content and assessment checklists reflect the current situation, which may, as a result, differ from the guidance below in terms of the products, practices and/or regulations listed.**

**Outcome 1** looks at the provision of state pensions in the UK and at the issues related to funding. Candidates should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ State pension age
- ◆ Classes of National Insurance Contributions (NICs)
- ◆ Treatment of spouses, partners, parents and carers
- ◆ Pension credit
- ◆ Minimum income guarantee
- ◆ State Earning Related Pension Scheme formulae
- ◆ Lower and Upper Earning Limits
- ◆ State Second Pension benefits
- ◆ Inherited benefits
- ◆ Contracting out test; reference scheme; money purchase test
- ◆ Age related benefits under Contracted out money purchase scheme (COMPs) and Contracted out salary related schemes (COSRs)



## Higher National Unit specification: support notes (cont)

**Unit title:** Pension Provision

**Outcome 2** looks at employer run occupational pension schemes and at the issues relating to their provision. Candidates should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ Trustees and Member Nominated Trustees (MNTs)
- ◆ Eligibility for Occupational Pension Scheme status
- ◆ Funding of defined benefit schemes
- ◆ Funding of defined contribution schemes
- ◆ Conditions in public sector schemes; transfer club
- ◆ Group life assurance schemes
- ◆ Controlling directors
- ◆ Limits on contributions
- ◆ Normal Retirement Date
- ◆ Retained benefits
- ◆ Definition of earnings; final remuneration; early retirement; incapacity and ill health; late retirement; tax free cash; uplifted cash benefits; death in service; death after retirement; divorce

**Outcome 3** examines the range of specific occupational schemes designed for key personnel. It also looks at schemes set up to increase potential benefits for employees. Candidates should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ Objectives of Executive Pension Plans (EPPs); key employees; contributions to EPPs; regular and special contributions; spreading tax relief
- ◆ Functions of Small Self Administered Schemes (SSAS); trustees and pensioner trustees; permitted investments; prohibited investments; borrowing by trustees; funding of SSAS
- ◆ Funded unapproved schemes
- ◆ Unfunded unapproved schemes
- ◆ Eligibility for Additional Voluntary Contribution Schemes (AVCs); contributions to AVCs
- ◆ Features of Freestanding Additional Voluntary Contribution Schemes (FSAVCs)
- ◆ Use of personal pensions under the concurrency rule; headroom checking of limits
- ◆ Transfers of AVCs and FSAVCs
- ◆ Preservation of pension rights on leaving service; refunds of contributions; calculation of preserved benefit; Inland Revenue limits; Guaranteed Minimum Pensions (GMP); surpluses; options for early leavers; calculation of transfer values; transfer options; Section 32 Buy Outs; personal pension permitted transfers

## Higher National Unit specification: support notes (cont)

**Unit title:** Pension Provision

**Outcome 4** examines the provision of personal pension schemes. Candidates should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ Eligibility
- ◆ Types of annuity; open market options; purchase life annuity; pension fund withdrawals
- ◆ Self Invested Pension Plans (SIPPs) permitted investments
- ◆ Stakeholders pensions; minimum standards on cost, access and terms (the CAT standard)
- ◆ Individual Pension Accounts
- ◆ Relevant earnings; net relevant earnings
- ◆ Contributions and tax relief
- ◆ Earnings cap
- ◆ Carry back; carry forward of unused relief
- ◆ Employer contributions
- ◆ Group personal pensions
- ◆ Death before retirement
- ◆ Waiver of contributions
- ◆ Availability of benefits
- ◆ Benefits at retirement
- ◆ Phased retirement (staggering vesting)
- ◆ Contracting out

### Guidance on the delivery of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with technical or professional knowledge and skills for the financial sector.

The Unit is primarily intended to contribute to the preparation of candidates for regulatory examinations that are required of those who are authorised to provide pension advice. The Unit is not a substitute for and does not provide exemption from the regulatory examinations. The Unit contributes to the provision of the required introductory knowledge and skills needed by employees working in the financial services industry as part of a pensions sales force, as advisers or support staff. The Unit also prepares candidates for further study at undergraduate level.

**During the delivery of this Unit, it is recommended that candidates are made aware of the latest pension products and regulations. In addition, they should be made aware of any changing requirements to those aspects of taxation requirements covered in this Unit.**

## Higher National Unit specification: support notes (cont)

**Unit title:** Pension Provision

### Guidance on the assessment of this Unit

The assessment could be designed around one case study, with each Outcome being assessed within that case study. It is recommended the case study be based around customers of a financial adviser who are seeking advice relating to their pension provision. Whilst the case study can be issued in advance to candidates, if wished, further details can be added to the scenario during the assessment. This therefore replicates the real life situation where the adviser will be aware of the basic facts about a customer and their pension arrangements but will have to react to new information during a meeting with the customer.

### Online and Distance Learning

This Unit could be delivered by open/distance learning. However, it would require planning by the Centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

### Opportunities for developing Core Skills

In this Unit candidates will have opportunities in all Outcomes to develop skills in the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 5. Candidates will be presented with information about a personal investor where they will have to apply critical thinking skills to review the situation, identify the key factors that have to be taken into consideration and then decide on the relative importance of each of these as they prepare their pension recommendations. In addition, the manipulation of financial data and the taxation computations will present opportunities in all Outcomes for candidates to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5.

### Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements)

## History of changes to Unit

Version	Description of change	Date

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## General information for candidates

### Unit title: Pension Provision

This Unit is designed to introduce you to, and enable you to identify and understand, the range of pension products that are offered by the UK government and financial services institutions to their customers.

On completion of the Unit you should be able to:

- 1 Explain the features and benefits of state pension schemes
- 2 Explain the features and benefits of occupational pension schemes
- 3 Explain the features and benefits of non-standard occupational pension schemes and addition funded schemes
- 4 Explain the features and benefits of personal pension schemes

In Outcome 1 you will learn about the provision of state pensions in the UK and the requirements related to funding of state pensions.

In Outcome 2 you will learn about the different types of employer run occupational pension schemes, how these schemes are structured, what benefits will accrue to pension holders and what are the limitations of their use.

In Outcome 3 you will learn about pension schemes which have been designed for specific groups of pensioners, how these schemes are structured, what benefits will accrue to pension holders and what are the limitations of their use.

In Outcome 4 you will learn about personal pension schemes which individuals may subscribe to rather than be part of an employer run scheme, how these schemes are structured, what benefits will accrue to the pension holders and what are the limitations of their use

This Unit may be assessed by one assessment covering all four Outcomes. This assessment could consist of a number of questions based on a case study, relating to a pension scenario, that covers all four Outcomes within the Unit. Where a case study is used, you will not be advised of the questions in advance of the assessment but you will be allowed to bring your own pre-prepared notes. It is recommended that the assessment be completed within a two hour working period.

You will need to successfully complete questions from all four Outcomes in order to pass the Unit.

There are opportunities to develop components within the Core Skills of *Problem Solving* and *Numeracy* at SCQF level 5 in this Unit.