



Pension transfers

Learning outcomes

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

1. **Understand the fundamental aspects of the pension transfer process;**
2. **Understand the key issues that should be taken into account when considering a potential transfer of pension benefits;**
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 R04 Pensions and retirement planning and J05 Pension income options or equivalent.

Important notes

- **This syllabus will be examined in the October 2019 and April 2020 sessions.**
- **Candidates will be examined on the basis of English law and practice in the tax year 2019/2020 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
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. **Understand the fundamental aspects of the pension transfer process**
 - 1.1 Explain the key regulatory 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 including but not limited to:
 - Trustees, administrator and actuary;
 - Pension transfer specialist;
 - Single Financial Guidance Body.
 - 1.3 Explain the key elements of the pension transfer advice process including but not limited to:
 - The process and assumptions used in the calculation of the cash equivalent transfer value (CETV);
 - Two adviser firms working together;
 - Triage process and advice boundaries;
 - Key stages of the advice process;
 - The Transfer Value Comparator (TVC);
 - Appropriate Pension Transfer Analysis (APTA);
 - Pension recommendation requirement.
2. **Understand the key issues that should be taken into account when considering a potential transfer of pension benefits**
 - 2.1 Demonstrate how the features of Defined Benefit (DB) Schemes may impact a pension transfer recommendation included but not limited to:
 - Security of pension benefits;
 - Guaranteed minimum pension (GMP);
 - Revaluation and escalation;
 - Death and ill-health benefits;
 - Commutation rates;
 - Level of pension commencement lump sum (PCLS) available;
 - Protected retirement ages;
 - Transfer club.
 - 2.2 Demonstrate how the features of other types of plans with safeguarded benefits may impact a pension transfer recommendation, including but not limited to:
 - Any guarantees provided including guaranteed minimum pension, guaranteed annuity rates and guaranteed growth rates;
 - Death and ill-health benefits;
 - Level of PCLS available including any transitional protection or limitations;
 - Market value reductions and any other existing investment fund issues;
 - Charges;
 - Protected retirement ages.
 - 2.3 Demonstrate how the features of the receiving scheme may impact a pension transfer recommendation, including but not limited to:
 - Level of PCLS available;
 - Annuity rates including enhanced and impaired;
 - Flexi-Access Drawdown;
 - Uncrystallised Funds Pension Lump Sum;
 - Phasing benefits;
 - Death benefits;
 - Charges;
 - Investment Options.
 - 2.4 Explain how the following may impact pension income and death benefits:
 - Investment risk;
 - Longevity risk and sustainability;
 - Nomination of beneficiaries and bypass trusts;
 - Matching income and investment strategies;
 - Safe withdrawal rate;
 - Sequencing risk;
 - Economic risk such as inflation and changes in interest rates;
 - Annuity risk;
 - Annuity options;
 - Taxation.
 - 2.5 Explain how the following may impact a pension transfer recommendation:
 - Lifetime allowance and transitional protections;
 - Incentive exercises;
 - Funding and solvency including employer covenant and recovery plans;
 - Pension Protection Fund (PPF), Financial Service Compensation Scheme (FSCS) and Financial Ombudsman Service (FOS).

- 3. Advise on pension transfers in a range of client specific circumstances and scenarios**
- 3.1 Gather sufficient information to satisfy the 'know your client' requirement:**
- Reconciling client objectives and needs;
 - Assets and liabilities;
 - Hard and soft facts;
 - Attitude to, and understanding of, transfer risk, investment and other risks and capacity for loss;
 - Previous investment experience.
- 3.2 Analyse the appropriateness of pension transfers in a range of scenarios:**
- Defined benefit to defined contribution;
 - Other plans with safeguarded benefits to defined contribution;
 - Transfer for future benefit crystallisation;
 - Transfer for immediate benefit crystallisation.
- 3.3 Consider the factors relating to the suitability of pension transfer recommendations, including but not limited to:**
- Health and longevity;
 - Trade-offs between retirement needs and other factors;
 - Using alternative solutions to meet client objectives;
 - Wealth preservation and legacy planning;
 - Taxation;
 - Divorce;
 - Debt;
 - Serious ill-health;
 - Partial transfers;
 - Cash flow modelling and stress testing.

Reading list

The following list provides details of further reading 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 <https://www.cii.co.uk/knowledge-services/>.

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 <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

Pension transfers. London: CII. Study text AF7.

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

Pensions income options. London: CII. Study text J05.

Both texts are included as electronic resources within AF7 RevisionMate (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 (CII/PFS members only):

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

Journals and magazines

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

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Available online at 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 (CII/PFS members only).

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings.

These are available via www.revisionmate.com.