

SQA Advanced Unit specification

General information

Unit title: Pension Provision (SCQF level 8)

Unit code: HP1E 48

Superclass: AL

Publication date: August 2017

Source: Scottish Qualifications Authority

Version: 01

Unit purpose

This Unit is designed to enable learners to explain UK pension provision and the use of pension schemes in given situations. It is primarily intended for learners 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. It may also be relevant to those intending to study for regulatory examinations or to those who have a personal interest in this topic.

Outcomes

On successful completion of the Unit the learner will be able to:

- 1 Explain the features and benefits of the State pension scheme.
- 2 Explain the features and benefits of employer defined benefit schemes.
- 3 Explain the features and benefits of employer defined contribution schemes.
- 4 Explain the features and benefits of personal pension schemes.

Credit points and level

2 SQA Credits at SCQF level 8: (16 SCQF credit points at SCQF level 8)

Recommended entry to the Unit

Access to the Unit is at the discretion of the centre, however it is recommended that learners have good written communication and numerical skills. These may be demonstrated by the achievement of Core Skill *Communication* at SCQF level 5, or by possession of National 5 English or English and Communication, or a suitable NC (National Certificate) module, and Core Skill *Numeracy* at SCQF level 5 or by possession of a relevant Unit.

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes for 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 Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

Equality and inclusion

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

SQA Advanced Unit specification: Statement of standards

Unit title: Pension Provision (SCQF level 8)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

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. Learners 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 the State pension scheme.

Knowledge and/or Skills

- ◆ Funding of State pensions
- ◆ Basic State pension eligibility and benefits
- ◆ Additional State benefits, historic and current
- ◆ Historic contracting out options and benefits

Outcome 2

Explain the features and benefits of employer defined benefit schemes.

Knowledge and/or Skills

- ◆ Structure of employer defined benefit schemes
- ◆ Features of employer defined benefit schemes
- ◆ Management and control of defined benefit schemes
- ◆ Public sector defined benefit schemes
- ◆ Benefits of employer defined benefit schemes

Outcome 3

Explain the features and benefits of employer defined contribution schemes.

Knowledge and/or Skills

- ◆ Types of employer defined contribution schemes
- ◆ Structure of employer defined contribution schemes
- ◆ Features of employer defined contribution schemes
- ◆ Management and control of employer defined contribution schemes
- ◆ Benefits paid at retirement

Outcome 4

Explain the features and benefits of personal pension schemes.

Knowledge and/or Skills

- ◆ Types of personal pension schemes
- ◆ Structure of personal pension schemes
- ◆ Features of personal pension schemes
- ◆ Investment of personal pension schemes
- ◆ Options at retirement

Evidence Requirements for this Unit

Outcome 1

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain how State pensions are funded.
- ◆ explain basic State pension eligibility and the benefits provided.
- ◆ explain additional State pension benefits provided in a given situation.
- ◆ explain the historic option of contracting out of the State pension and the associated benefits.

Outcome 2

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

SQA Advanced Unit Specification

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain the structure of employer defined benefit schemes.
- ◆ explain the features of employer defined benefit schemes.
- ◆ explain how employer defined benefit schemes are managed and controlled.
- ◆ explain public sector defined benefit schemes.
- ◆ explain the benefits paid at retirement from employer defined benefit schemes.

Outcome 3

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain the types of employer defined contribution schemes available.
- ◆ explain the structure of employer defined contribution schemes.
- ◆ explain the features of employer defined contribution schemes.
- ◆ explain how employer defined contribution schemes are managed and controlled.
- ◆ explain the benefits paid at retirement from employer defined contribution schemes.

Outcome 4

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

SQA Advanced Unit Specification

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain the types of personal pension scheme available.
- ◆ explain the structure of personal pension schemes.
- ◆ explain the features of personal pension schemes.
- ◆ explain how personal pension contributions can be invested.
- ◆ explain the range of options available from personal pensions at retirement.

As the Knowledge and/or Skills for each Outcome are sampled, assessment must be carried out under controlled conditions.

SQA Advanced Unit Support Notes

Unit title: Pension Provision (SCQF level 8)

Unit Support Notes are offered as guidance and 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 learners for employment or further study in financial services.

The following guidance was prepared in June 2015 based on current pension products and practices and the regulations relating to the contributing to pension schemes and vesting of pension benefits. Centres should ensure that learners 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 how State pensions are funded. It considers how National Insurance Contributions are used to fund State pension benefits and the different classifications of income for payment of National Insurance Contributions. It considers basic and additional benefits, recent changes to State retirement age and the abolition of the option to contract out under defined contribution pension schemes. Learners will be required to have an understanding of the new State pension benefits which began on 6 April 2016 and also an understanding of benefits payable to individuals who were eligible to retire before this date. Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ A brief history of the socio-economic changes which have given rise to changes to State pension benefits including:
 - Increasing longevity
 - Falling birth rates
 - Higher expectations in retirement
 - Equalisation of pension ages for men and women
- ◆ Increasing State pension ages
- ◆ National Insurance Contributions including:
 - Four classifications of earnings
 - Upper and lower earnings levels
 - Exemptions from payment of National Insurance Contributions — spouses, partners, parents and carers
- ◆ Inherited State benefits
- ◆ Calculations of a pension payable under the new State pension arrangements, as applicable from 6 April 2016
- ◆ Historical contracting out through State Earnings Related Pension Scheme (SERPS) and State Second Pension (S2P)
- ◆ Contracting out through defined benefit pension schemes

SQA Advanced Unit Specification

Outcome 2 looks at employer run defined contribution pension schemes in both the private and public sectors. Learners should be able to explain how these schemes are funded, member entitlements and benefits payable. With regard to the public sector, it is expected that they should have a more detailed knowledge of one scheme, for example the Teachers' Pension Scheme which they can use as an example to demonstrate understanding of a public sector scheme. Learners should also understand why many defined benefit schemes have closed in recent years.

Learners should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ The benefits of being a member of a defined benefit scheme
- ◆ Management of a defined benefit scheme
- ◆ Trustees and Member Nominated Trustees (MNTs)
- ◆ Funding of defined benefit schemes:
 - Employer and employee contributions
 - Investment of contributions
- ◆ Tax status of defined benefit schemes
- ◆ Features of membership including:
 - Normal retirement date
 - Pensionable service
 - Pensionable remuneration
 - Accrual rates
 - Group life assurance
- ◆ Preservation of benefits on leaving service
- ◆ Benefits payable before normal retirement date:
 - Incapacity and ill health
 - Widows and other dependents
- ◆ Benefits payable at normal retirement date:
 - Pension
 - Pension Commencement Lump Sum (PCLS)
 - Widows and other dependents benefits after retirement
- ◆ Public sector defined benefit schemes including:
 - Funding and contributions
 - Benefits payable

Outcome 3 requires the learners to have knowledge of the range of employer defined contribution pension schemes available including those set up for specific key personnel.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Trust-based defined contribution schemes managed by employers:
 - Membership
 - Employer and employee contributions
 - Investment of funds
 - Taxation situation
 - Transitions from defined benefit to defined contribution schemes
 - Eligibility
 - Benefits payable

SQA Advanced Unit Specification

- ◆ Additional Voluntary Contribution Schemes (AVCs) and Freestanding Additional Voluntary Contribution Schemes (FSAVCS):
 - Features of AVCs and FSAVCS
 - Eligibility for AVCs and FSAVCS
- ◆ Small self-administered schemes (SSAS):
 - Functions of a small self-administered scheme
 - Trustees and pensioner trustees
 - Permitted and prohibited investments
 - Employer and employee contributions
 - Borrowing by trustees
- ◆ Executive Pension Plans (EPPs):
 - Key objectives of executive pension plans
 - Key employees and use of executive pension plans
 - Contributions to executive pension plans

Group Personal Pensions should be considered under Outcome 4.

Outcome 4 requires the learners to have knowledge of the full range of personal pension plans available and the options available at retirement — both pre and post 6 April 2015. They should appreciate that since A-Day in 2006, personal pension arrangements have become much more common for new plans than any of the other defined contribution alternatives discussed in Outcome 3.

Learners should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

- ◆ Features of personal pensions including:
 - Structure of a personal pension
 - Eligibility for personal pensions
- ◆ Types of personal pension, eligibility, and special features:
 - Stakeholder pension plans
 - Self-Invested Personal Pension Plans (SIPPS)
 - Group Personal Pension Plans
 - Auto-enrolment and National Employment Savings Trust (NEST)
- ◆ Contributions to personal pensions:
 - Permissible contribution amounts
 - Tax relief on contributions
- ◆ Investment of personal pension contributions:
 - Permissible funds for investment
 - Life-styling options
 - Tax situation for personal pension investments
- ◆ Taking benefits from personal pensions:
 - Full pension access
 - Flexible drawdown
 - Tax free cash
 - Annuities
 - Taxation of funds on death before and after retirement

Guidance on approaches to delivery of this Unit

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

SQA Advanced Unit Specification

The Unit provides the required knowledge and skills required by learners to ensure they are aware of the range of pension products available to personal and business customers and the relevant statutes, regulations and tax regimes which apply when contributing to and taking benefits from pension schemes.

During the delivery of this Unit, it is recommended that learners are made aware of the latest pension products and services offered to personal and business customers and also keep up-to-date with changes to statutes and regulation.

Guidance on approaches to assessment of this Unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

It is recommended that this Unit be assessed by an instrument of assessment that would require learners to answer questions based on a case study. The assessment could be designed around one case study, with each Outcome being assessed within that case study. The case study could be based around a client contacting their pension adviser with questions to ask about both employer provided and personal pensions. The learner would assume the role of the pension adviser and answer their client's questions in a manner suitable for a non-expert to understand.

Where a case study is used this could be provided to the learner 7–10 days before the assessment event. Learners would be permitted to bring up to two A4 pages of notes they have prepared to the assessment. These notes must be handed in at the end of the assessment. No other materials can be brought to the assessment. It is expected that the assessment should not normally take the average learner more than two hours to complete. Assessment will be carried out under controlled conditions.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

An exemplar instrument of assessment and marking guidelines have been provided to indicate the national standard of achievement required at SCQF level 8.

Centres should update assessment material on an annual basis to reflect any changes to pension legislation and charges in tax rates, personal allowances, etc. It is acceptable to use either Scottish or UK tax legislation in the assessment of this Unit.

Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at www.sqa.org.uk/e-assessment.

Opportunities for developing Core and other essential skills

Core Skills

Learners will have opportunities to develop the Core Skill of *Communication* at SCQF level 5 in this Unit as they will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment.

In this Unit learners will have opportunities in all Outcomes to develop skills in the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 5. Learners will be presented with information about pension scenario(s) 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, where calculations are carried out — State benefits, defined benefit amounts and contribution levels — this will present opportunities, in all Outcomes, for learners to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5.

Other Essential Skills

Learners may be given opportunities to develop key employability skills, as well as develop an awareness and understanding of citizenship and sustainability. These include the skills of:

Team work/group work	Positive attitude to work
Using initiative/being proactive	Analysing and evaluating
Problem solving	Planning and organising
Paying attention to detail	Time management
Research and investigation	Adopting professional working standards and practices
Applying numeracy skills	Setting goals and making action plans

History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

FURTHER INFORMATION: Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

General information for learners

Unit title: Pension Provision (SCQF level 8)

This section will help you decide whether this is the Unit for you by explaining what the Unit is about, what you should know or be able to do before you start, what you will need to do during the Unit and opportunities for further learning and employment.

This Unit is designed to introduce you to the knowledge and skills required when working within a pension role within the Financial Services industry. You will be given the opportunity to learn about the wide range of pension schemes available. You will also learn how to identify suitable pension schemes and provide information and advice to both personal and business customers. On completion of the Unit the learner should be able to:

- 1 Explain the features and benefits of the State pension scheme.
- 2 Explain the features and benefits of employer defined benefit schemes.
- 3 Explain the features and benefits of employer defined contribution schemes.
- 4 Explain the features and benefits of personal pension schemes.

In Outcome 1 you will learn about how State pensions are funded through the payment of National Insurance Contributions. You will gain an understanding of who is eligible to receive the full basic State pension, how additional benefits may be gained and how to calculate the benefit entitlement. You will also learn about historic options of contracting out which are no longer widely available but relevant to those with preserved benefits.

In Outcome 2 you will learn about employer defined benefit schemes which are based on salary levels and years of service with an employer. You will learn about the benefits payable on retirement and ways in which additional benefits can be secured. You will also gain an understanding of public sector defined benefit pension schemes.

In Outcome 3 you will learn about employer defined contribution schemes which are based on contribution levels and investment performance. You will learn about the benefits payable on retirement and the way in which additional benefits can be secured. You will learn about the range of different employer defined contribution schemes available and the particular uses of each type.

In Outcome 4 you will learn about personal pension schemes and the range of different plans available. You will focus on the options available at retirement and the relevant taxation levels for different situations.

This Unit may be assessed by one assessment covering all four Outcomes. This assessment could consist of a case study involving personal and commercial client scenarios that cover all four Outcomes of the Unit. Assessment will be carried out under controlled conditions. 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 *Communication*, *Problem Solving* and *Numeracy* at SCQF level 5 in this Unit.