

THE PENSIONS MANAGEMENT INSTITUTE
REWARD AND RETIREMENT PROVISION
OCTOBER 2020 EXAMINATION

EXAMINER'S REPORT - December 2020

The October 2020 examinations were all completed online. From the examiners' perspective this represented a step improvement over reading through hand-written scripts, which at times can be challenging. We are confident that learners also prefer this approach to sitting the exams.

This year's papers were generally well presented and learners should be congratulated on the efforts many made in the format of their answers. By making the effort to present answers in the manner requested by the question, learners were able to gain valuable formatting marks for all questions except for question 5 which required a straightforward list. We would encourage learners to practice the different formats that are typically requested ie. report, briefing paper and summary so that they can gain the available formatting marks.

QUESTION 1

This question contained 35 marks and required the answer to be in the form of a report.

Learners were required to give information on a number of important points regarding the development and management of employee benefit strategy and there were some excellent answers.

Comments under the different sections of the question are as follows:

Market position:

- Reference to an example eg. new oil company deciding between a DB and DC scheme was omitted by some learners
- Some learners did not give the correct headings, ie base pay, variable pay, pension, other benefits and structure which an employer might use to position themselves in the labour market.

Employee demographic and segments:

- Some learners failed to identify demographics, eg. age, socio-economic grouping and cultural/racial origin.
- Most learners were able to identify the benefits more applicable to older and younger age groups.
- Learners could appreciate that lower paid/blue collar workers valued cash more than insurances and these benefits could be provided by membership of a Trade Union, but failed to indicate that these benefits provided by an employer would then be less valuable.

- Learners understood that a Muslim dominated population would appreciate extra holiday for religious purposes.

Global and Group structure and culture:

This was probably the least well answered section.

- Points needed to be covered from a Global structures drive ie. stock plans, promotion, sales incentives and cash bonus plans and this detail was often omitted.

Management style:

This section was in the main well answered, and many learners were able to appreciate that a change in senior personnel could influence the benefit structure.

Cost management:

This section was also reasonably well answered.

Compliance and risk:

Most learners covered the relevant points, but one point which a number of learners did not include related to non pension benefits generally being taxed via P11D reporting and many benefits have rules which address specific taxation requirements and exemptions.

The relevant section of the manual was Part 1, Chapter 2 – 2.2.

QUESTION 2

This was a 20 mark question and the answer was required to be in note format.

There were some excellent answers with learners able to cover the main points relating to critical illness schemes.

A few learners were unable to provide examples of conditions which would be included under 'Extra/Additional cover'.

Some learners failed to refer to the availability of free cover depending on the size of the scheme and the need to provide medical evidence before full cover can be considered if an employee's benefit entitlement is in excess of the free cover limit.

Learners generally achieved good marks covering the taxation of benefits and premiums, but the three recent changes to the taxation of expenses and benefits in kind was poorly answered.

Some learners confused this benefit with Income protection and hence did not gain all the available marks.

The relevant section of the manual was Part 2, Chapter 2 – 2.8.

QUESTION 3

This was a 20 mark question and the answer was required in the format of a paper.

There were many good answers and most learners were able to include reference to the EU's Working Time Directive and the requirement for employers to give full time employees four weeks annual holiday in addition to statutory bank holidays.

Many learners were able to correctly identify the difference between sabbaticals and career breaks, but a number appeared to be confused between the differences in these two types of break from employment.

Another point which many learners failed to include under career breaks related to part time career breaks where on return to employment employees would be offered salary commensurate with their new status and hours worked.

The relevant section of the manual was Part 3, Chapter 4 – 4.1.1.

QUESTION 4

This was a 15 mark question and the answer was required in the format of a summary.

In general, learners were able to recall the correct dates and values of changes to the Annual Allowance and Lifetime Allowance.

Some learners lost marks in not being able to correctly identify the difference between Adjusted income and Threshold income.

Another point which some learners failed to mention was that the Annual Allowance cannot fall below £10k.

The relevant section of the manual was Part 1, Chapter 2 – 2.7.

QUESTION 5

This was a 10 mark question and required the answer to be in a list format.

In general, it was answered well and learners were able to identify policy exclusions from PMI schemes.

The following points were omitted from some learners' responses:

- Members generally not covered for known pre-existing conditions at time of joining;
- Many learners identified routine dentistry, but failed to mention that 'oral surgery, ie removal of impacted wisdom teeth, may be included';
- Routine maternity care was mentioned, but many learners omitted 'procedures such as caesarean sections may be included'.

Many learners failed to mention that cover for standard exclusions can sometimes be provided at additional cost.

The relevant section of the manual was Part 2, Chapter 2 – 2.1.3.