

THE PENSIONS MANAGEMENT INSTITUTE

REWARD AND RETIREMENT PROVISION – APRIL 2021

EXAMINERS' REPORT

This year all papers were again completed online using the Calibrand system. Although this process makes the examiners' task easier (as handwritten paper answers can at times be challenging), learners should be congratulated on the way in which they have been able to adapt to this recently introduced system.

With this paper, a number of questions required the answer to be presented in a dedicated format and marks would have been gained if the answer was presented in the requested format. The examination paper covered the breadth of the syllabus and hence comprehensive study of the tuition manual would have been necessary for learners to achieve the pass level.

QUESTION 1

This question carried 35 marks and required the answer in the format of a report.

Many candidates provided well thought out comprehensive answers and gained high marks. A study of the tuition manual was essential to be able to provide all the details required.

Particular points of note were:

- Definition of 'What is Salary Sacrifice' was generally well covered.
- Special rules determining the amount of benefit treated as earnings from 6 April 2017 was missed by many.
- A number of points regarding the impact of National Insurance Contributions were often omitted.
- Criteria necessary to be an effective salary sacrifice was reasonably well covered.
- Scheme design considerations were also reasonably well covered, although items omitted included 'Salary Definitions' and 'Refund of Contributions'.
- A number of points required under 'Refund of Contributions' were omitted including the restrictions introduced in October 2015 which specified when a refund could and could not be paid.

Most learners made a reasonable attempt at the report format, but there were also those for whom marks were lost as no attempt had been made. These are straightforward marks to be gained and so learners should practice the features required of a report format.

The relevant section of the manual was Part 3, Chapter 3 – 3.1 -3.5.

QUESTION 2

This question carried 15 marks and required the answer to be in the format of a summary.

This was a straightforward question on Statutory Sick Pay (SSP) and required a factual response. Generally, it was well answered, but points omitted included:

- Employers must make payments for time off sick to at least a minimum level, this being that during the first 28 weeks of time off work employers must make at least statutory payments.
- Earnings threshold to qualify for SSP is currently £120 per week.
- Where the Earnings threshold is not met – income support may be claimed, but this is means tested.
- If sickness/disability continues after 28 weeks, incapacity benefit/Employment and Support Allowance may be claimed.

The summary should ideally have been presented with a title and short, concise bullet point paragraphs.

The relevant section of the manual was Part 2, Chapter 1 – 1.1.1.

QUESTION 3

This question carried 20 marks and required the answer to be in the format of a short briefing paper.

This question was not particularly well answered, and a number of learners included the different types of share plans a company may use rather than stating why a company would operate a share plan. This highlighted the need for learners to take time to read and re-read the question before attempting an answer.

There were a number of salient points omitted including:

- A share plan could be a means of sharing the proceeds of success with employees.
- Selective share plans (such as approved Company Share Option Plans and Enterprise Management Incentives and unapproved plans) normally offer much larger opportunities to reward.
- The prospect of a substantial capital gain through award of shares may act as an alternative to paying higher salaries for a start-up business with limited cash.

The part of the question relating to Cash Alternatives was reasonably well answered, but one point often omitted was the class of National Insurance Contribution paid depending on whether the employee elected to keep the use of a company vehicle or to take cash instead.

The relevant section of the manual was Part 3, Chapter 1 – 1.1 and 1.9.

QUESTION 4

This question carried 10 marks and required the answer to be in the format of a list.

Learners who had studied the relevant section of the tuition manual were able to achieve high marks.

The types of objectives and measures missed by a number of learners included:

- Changes in specific employee measures in respect of reward.
- Achievement of targets set for pay round negotiation/delivery.
- Cost of health and or cost of absence.

Also, some learners were confused between the 'annual cost per reward element and per head cost of reward element' and the 'overall benefit plan administration cost and per reward element administration cost – internal and external'.

Other learners wasted time by writing too much, when only a straightforward list was required.

The relevant section of the manual was Part 1, Chapter 2 – 2.3.

QUESTION 5

This was a 15-mark question and required the answer to be in the format of a short briefing paper.

Learners were generally able to provide the information requested, but there were others who failed to gain good marks. The main points omitted included:

- Employers must decide how to meet their duties to enrol jobholders into an appropriate pension scheme.
- Enrolment must be from the automatic enrolment date.
- Enrolment into a scheme must include a jobholder who has chosen to opt in.

Although learners correctly mentioned the rate of contributions being at or above the minimum level, many then omitted to state this applied even if the jobholder had not made any specific election regarding their flexible benefit options.

The relevant section of the manual was Part 3, Chapter 2 – 2.5.3.

QUESTION 6

This was a 5 mark question and required factual recall of information of the relevant section of the tuition manual.

The question specifically required the salient points of Dental Insurance, but a number of learners included reference to Capitation Plans, which was not required.

Learners generally picked up most of the relevant points, but one point often omitted related to Dental Insurance being a substitute for an onsite company dentist.

The relevant section of the manual was Part 3, Chapter 4 – 4.2.1.

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