



## **Core Unit 1A – Understanding Retirement Provision, Examiner’s Report** **– October 2021**

This was a 2-hour exam split between multiple-choice questions and free-format questions. Equal weighting of marks was given to both sections.

### Multiple-choice questions

There were 50 questions, each correct answer being worth 1 mark. There were two types of question, as follows:

- 40 questions where candidates select one correct answer from a choice of four possible answers, and
- 10 questions where candidates are given two statements and have to determine whether both are true, the first is true and the second is false, the first is false and the second is true, or both are false.

The questions were broadly representative of the entire syllabus.

In general, candidates achieved good scores on the multiple-choice questions.

For the multiple-choice questions areas that candidates answered less well covered the following areas of the syllabus and study material:

| Subject                              | study manual reference |
|--------------------------------------|------------------------|
| Auto-enrolment: eligible job-holders | Part 3 chapter 3.2     |
| Working tax credit                   | Part 3 chapter 2.2.6   |
|                                      |                        |

### Short answer questions

There were six short questions where candidates were required to write their answers in free format. Candidates are encouraged to devote one hour to this part of the examination. Most candidates did not score as highly on this part of the paper as they did on the multiple-choice section.

#### **Question 1**

In relation to the anti-avoidance powers of the Pensions Regulator, define each of the following terms:

- (a) Contribution notice
- (b) Financial support direction
- (c) Restoration order

(d) Clearance procedure.

(10 marks)

The available marks were split equally across all four sections of this question. Most candidates had a reasonable understanding of the basic points but knew less about the details of these powers. So in part (b), for example, most candidates knew that a financial support direction requires support for an underfunded pension scheme but considerably fewer knew that it applies where the sponsoring employer is under-resourced or is a service company.

A significant number of candidates either completely misunderstood the clearance procedure or had only a very vague understanding of it.

The relevant section of the study manual is Part 2, Chapter 1.1.

### **Question 2**

- (a) Identify 5 common features of public sector schemes prior to the changes introduced by the Public Services Pensions Act 2013. (5 marks)
- (b) List the main changes introduced by that Act. (5 marks)

Public sector pension schemes have traditionally provided more generous benefits than those in the private sector.

When answering part (a), most candidates were able to identify some of the common features of public sector schemes prior to the changes introduced by the Public Services Pensions Act 2013, particularly that they were financed on a pay as you go basis, offered a pension based on 80ths of final salary plus an automatic cash sum, and had generous ill-health provisions. Fewer mentioned the normal pension age, the public sector transfer club or index-linking of pensions.

Regarding part (b), candidates knew considerably less about the changes introduced by the Public Services Pensions Act 2013. Many knew that it introduced career average arrangements for future service and that the scheme's normal retirement age was linked to the state pension age. Candidates would also have scored marks if they had mentioned that accrual of benefits in the old public sector arrangements ceased from April 2015 (April 2014 in the case of the Local Government Pension Scheme), that the Act introduced a cost control mechanism and that the Pensions Regulator now has full regulatory oversight of the schemes.

The relevant section of the study manual is Part 4, Chapter 2.3.1.

### **Question 3**

Outline the typical responsibilities of the Secretary to the Trustees of an occupational pension scheme. (7 marks)

The Secretary to the trustees of a pension scheme has a wide-ranging role and most candidates were able to demonstrate some knowledge of the typical responsibilities of the Secretary. Most knew that the Secretary commonly prepares agendas and organises meetings and then takes the minutes of the meeting itself. Candidates who scored more highly also mentioned that the Secretary must ensure that meetings are quorate and that any decisions made are in line with the scheme's trust deed and rules.

Apart from matters connected with meetings, trustee secretaries commonly ensure that trustees are appointed and replaced in line with the trust deed and rules and that the scheme files its annual return and prepares an annual report and accounts. The secretary also liaises with professional

advisors such as the scheme actuary and lawyer and also ensures that the correct information is provided to the Pension Protection Fund for it to calculate the annual levy payable in respect of the scheme. Marks were available for all these points.

The relevant section of the study manual is Part 2, Chapter 1.14.2.

#### **Question 4**

Describe the main characteristics of a master trust. Note: you are not required to describe the NEST. (8 marks)

The majority of candidates demonstrated a sound level of knowledge of this topic. Most noted that these are defined contribution arrangements for multiple, often unconnected, employers each with their own ring-fenced section. Candidates were generally aware that this type of arrangement enables savings in both cost and administrative burden. Whilst many candidates made reference to a single trustee board few went on to say that this board is responsible for administering the scheme, selecting service providers and the range of investment options offered. Many candidates failed to mention that each employer generally determines its own eligibility conditions and contribution rates.

The relevant section of the study manual is Part 4, Chapter 2.3.2.

#### **Question 5**

Write brief notes about Shared Parental Leave and Statutory Shared Parental Pay. (5 marks)

This was the best-answered question, with many candidates scoring maximum marks. Most were aware of the time-scales for Shared Parental Leave and Pay and correctly stated the weekly amount of Statutory Shared Parental Pay.

The relevant section of the study manual is Part 3, Chapter 2.1.5.

#### **Question 6**

- (a) Outline the factors that have been identified as contributing towards individuals failing to make sufficient savings for their retirement. (5 marks)
- (b) Identify the goals set out in the strategy launched by MaPS in 2020 to improve the country's financial well-being. (5 marks)

Results for this question were mixed, with some candidates producing very good answers and others clearly struggling.

Regarding part (a), candidates tended to know that the factors contributing to people not saving enough for their retirement include that the welfare state has removed fear of absolute poverty, that people tend to prioritise current needs rather than saving for the future and that they may struggle to afford to save over and above meeting day to day needs. Fewer candidates mentioned that rising life expectancy means that people will need to save more to fund longer lives in retirement and that the sheer complexity of pension systems often acts as a barrier to saving.

Scores tended to be higher for part (b) which is pleasing to note given the topical nature of this part of the question.

The relevant section of the study manual is Part 1, Chapter 2.1.1.