



Examiners Report: Defined Benefit Arrangements, April 2022

The standard for this session's exam was relatively high. Some candidates scored well but most were within 10% of the Pass Mark.

Question 1 - Identify the 10 key Acts since 2010 that have fundamentally influenced the design of DB Schemes and their daily operation

Material from Chapter 1.2.3 of the Manual.

This question was very straightforward and just require the 10 key Acts. Candidates need to fully read the question as some included Acts in 2010 and before which were outside the question's remit. To gain full marks the title of the Act had to be precise so for example Pensions Act 2021 would not have earned marks as a candidate would need to have said Pension Schemes Act 2021. The question was well answered by most.

Question 2

As the Pensions Manager of your Scheme, you have been asked to write a briefing paper to the new Trustee on the Board outlining the features of AVC arrangements, the reasons for AVCs and the differences between DB AVCs and DC AVCs.

Material from Section 2, Chapter 2.1.3 of the Manual

This question took the format of a briefing paper which was adhered to by most students earning them valuable additional format marks. Generally, well answered. Some candidates didn't properly distinguish or appreciate the change in benefits pre and post-6/4/2015. Also, candidates omitted tax relief and the flexibility to stop or vary payments plus one reason for AVC payments was for early retirement. To earn full marks the complete date needs to be included - day, month, and year.

Question 3

Compose an email to a member comparing the different basis and grounds for early retirement.

Material from Section 2, Chapter 3.1.5 of the Manual

Again the correct format was provided in this case that of an email. This question on the whole was answered less well. Many candidates omitted serious ill-health with evidence from a qualified medical practitioner. Members taking serious ill-health early retirement can commute any uncrystallised rights provided it extinguishes all of the member's uncrystallised rights. It is paid tax-



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free if the member is less than 75 and does not take the member over their Life Time Allowance. If paid at age 75 or over it is subject to PAYE at the member's marginal rate.

Question 4

You are the secretary to the trustee. Write a paper for your Trustee proposing what should be included in a Scheme Funding Report.

Material from Section 4, Chapter 2.1 of the Manual

This question required a Paper format which was complied with in some cases. Please remember to comply with the format request otherwise you are throwing away marks. This was a tricky question that required a thorough knowledge of the manual as points were similar but had distinct differences. This was the least well-answered question on the paper and emphasises the importance of a thorough knowledge of the manual. Many candidates omitted the position if the scheme was forced to wind up, the effect on members' benefits, and an analysis of the difference between current funding levels on a technical provisions' basis and the funding level assuming that the scheme would up.

Question 5

You are the secretary to the trustee. Write a paper for your Trustee proposing what should be included in a Scheme Funding Report.

Material from Section 3, Chapter 6.1.3 of the Manual

This question required no specific format other than an answer including a paragraph per consideration. It was straightforward, taken straight from the manual, and was answered well. There were detailed explanations for each consideration. The least well-answered section was the Balance Sheet. The availability of assets to fund the shortfall in the event that the employer goes out of business will be important, only if the trustees have serious concerns about the future viability of the employer. It is rare for an employer to have sufficient assets in such circumstances, but the extent of the shortfall indicates the proportion of scheme benefits that are at risk.

Question 6

Set out the parties involved in a PPF assessment period.

Material from Section 5, Chapter 2.3.1 of the Manual



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Again no format was required other than a list of the parties. This was extremely well answered with many candidates scoring full marks or almost full marks so well done. The candidates had obviously worked hard to retain this information.