

Examiners Report: Core Unit 3 - Running a Workplace Pension Scheme- April 2022

There were two parts to the question paper:

- Part One consisted of 50 multiple choice questions
- Part Two consisted of six short answer questions

Part One – 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 must 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.

Learners achieved good scores on the multiple-choice questions, with scores ranging between 28 and 47 marks out of 50.

Part Two – Short answer questions

Average scores for Part 2 of the paper were lower than for Part 1. Overall, the standard of answers was good. The best answered question was Question 5 and the question which attracted the lowest average score was question 6.

Question 1 Describe the three alternatives to buying an annuity available to members with DC pension arrangements. (10 marks)

This was one of the better answered questions with around half of candidates did scoring maximum marks. To gain full marks candidates needed to cover the following:

Income withdrawal
Leave pot invested and take income from it
Up to 25% tax free as PCLS when funds are designated to drawdown
Can take as much or as little income as want
Income subject to income tax at marginal rate
Pot designated to drawdown tested against LTA
Short term annuity
Pays a set income for period up to 5 years
Can be used in conjunction with drawdown
Uncrystallised Funds Pension Lump Sums
25% tax free rest taxed at marginal rate
Single or multiple UFPLS

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

Question 2 List the items that must be included in a trustees' report and accounts to comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. (10 marks)

The quality of responses to this question was mixed. A small number of candidates scored maximum marks and the average score was around 7. The following points should have been included in the answer.

Names of trustees during the scheme year
Number of beneficiaries and active, deferred and pensioner members
For DB schemes percentage increase to pensions in payment and deferred pensions
Statement clarifying extent to which increases were discretionary
Name of trustees' professional advisers, bank, custodians etc
Any changes to above since previous year
Statement whether accounts prepared in accordance with Occupational Pension Schemes (requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996
Details of who has managed any investments during the year and extent of any delegation of this function by the trustees
A copy of any statement made on the removal of the auditor or actuary made in accordance with regulations made under section 47(6) of the 1995 Pension Act
For DC schemes a statement which trustees are required to prepare in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

The relevant section of the manual was Section 5 Chapter 2

Question 3 Outline the conditions which would make a transfer from a QROPS exempt from the Overseas Transfer Charge.(9 marks)

This question wasn't particularly well answered, and a couple of candidates failed to score any marks at all. The conditions we were looking for candidates to outline were as follows.

Member resident for tax purposes in same country as QROPS is based
Member resident for tax purposes in EEA and QROPS in EEA
QROPS is an occupational pension scheme and member is an employee of a participating employer and is in the scheme as a result of that employment.
QROPS is a scheme in respect of an international organisation
QROPS is an overseas public service pension scheme
If overseas transfer charge is not paid because member was tax resident in same country as QROPS or in EEA and QROPS also in EEA and member's status



changes before the end of 5 complete tax years following the transfer a charge becomes payable
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Conversely if exemptions didn't apply at the time of transfer but are subsequently met before end of fifth complete tax year following transfer HMRC will refund the charge

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

Question 4 List the temporary changes HMRC made to pension processes as a result of Covid-19 to help scheme administrators. (5 marks)

The standard of responses to this question was generally good. The majority of candidates managed to pick up at least 4 of the available 5 marks. The changes candidates need to identify were.

Flexibility with execution requirements and timing of forms submission eg cancelling penalties for late reporting of an overseas transfer / submission of an accounting for tax return if delay due to resources impacted by covid.

Deeming individuals who took pension benefits before age 55 who are re-employed due to covid not to have lost entitlement to protected pension age
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Allowing flexibility in valuation of sums and assets held within scheme including those designated for drawdown that need to be tested against LTS under BCE1

Not issuing notices to file pension scheme returns for 2019 and 2020
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The relevant part of the manual was Part 6.

Question 5 Outline the six data protection principles in the Data Protection Act 2018 .(6 marks)

This was the best answered question of the paper with 24 candidates scoring the maximum 6 marks. The six principles candidates needed to outline were:

Lawfulness, fairness and transparency

Purpose limitation

Data minimisation

Accuracy

Storage limitation

Integrity and confidentiality

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



Question 6 Describe the process for bringing a deferred pension into payment at Normal Pension Age. (10 marks)

This was the worst answered question on the paper. Although one candidate scored the maximum available marks most picked up less than half the available marks. The most common mistake was to focus on calculating benefits rather than describing the process to be followed. Examiners were looking for candidates to include the following points:

Letter to last known address 4 – 6 months before NPA
If no response other attempts to contact eg company records, DWP letter forwarding, specialist tracing services
If no response hold pension in suspense until member makes contact or a periodic review proves successful
Process then similar to an active member retiring except terms attaching to pension might be governed by rules in force when member left service eg eligibility for automatic spouses pension
Proof of identity should be obtained to ensure contact made with correct individual
If pension not claimed within 6 years rules may provide payments are forfeited but not right to last 6 years instalments or future payments
Rules may give trustees discretion to allow back payments over 6 years old
Same disclosure requirements as retirement from active service

The relevant section of the manual was Part 3 Chapter 1.