



Examiners Report: Defined Contribution Arrangements, April 2022

The standard for this session was slightly disappointing with lower marks than normal. Candidates need to ensure they are fully prepared for the exam having carefully learned the manual without omitting any sections as it is never a good idea to question spot. Some candidates scored poorly.

Question 1 Identify the primary factors that influence the design of a DC Scheme.

No format is needed just a list of primary factors. This was excellently covered generally with candidates able to include all the main factors.

Question 2 A new trustee has been appointed to the Board and you as Pensions' Adviser have been asked to draft a report discussing annuities with particular reference to the options as to provider and the benefits available.

Report format was required here with approximately half of the candidates adhering to this. Please remember to comply with the format requested as it is an easy way to pick up additional marks. Candidates omitted the member's right to shop around for a provider externally. 6/4/2015 member right to transfer benefits. The open market option is still offered, and trustees assured members got the best rates. Companies offering to check current rates- are chargeable. Members are recommended to take professional advice before an open market option. Annuity options, the schemes may determine the type of annuity the member buys. Post-April 2017 annuity increases are in line with LPI.

Question 3 List the typical risks a DC scheme might face.

This was a very simple question as all it required was a list taken straight from the manual, candidates scored well if they had learned the material and not so well if they had not.

Question 4 As Pensions Manager you have been asked by the Head of Finance to prepare a paper on Self Invested Personal Pensions (SIPPS) to assess in what circumstances they may be used to include their contribution and benefit structure and range of investment options available.

This again was in paper format with approximately half of the candidates complying. The most glaring omissions were that there may be a minimum investment needed to set up a SIPP and the benefits were the same as a standard personal pension. Drawdown is often popular as allows individuals to retain control. SIPP is an investment-regulated pension scheme and the member can direct, influence, or advise on the manner of investments. The FCA is responsible for regulating SIPPS since 2007.

Question 5 As Pensions Manager you have been asked by the Trustee Board to issue a paper setting out the requirement for producing an annual Chair's statement. Please describe the legislative requirements and outline what information the statement should contain.



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Most candidates remembered the paper format. However, they omitted that trustees have a legal duty to ensure that any change in information is updated on the Exchange within a reasonable period. Trustees retain the responsibility for the running of their scheme including producing an annual statement within 7 months of the scheme year end. Statement produced form 5/7/2015 with the first statement having to cover the period from 6/4/15. For full marks, dates must include day month, and year. However candidates fully covered the information the statement must contain.