Pensions Management Institute
Moving pensions forward

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

There were two parts to the question paper:

- Part One consisted of 50 multiple choice questions
- Part Two consisted of seven 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 34 and 49 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 1 and the question which attracted the lowest average score was question 6.

1. **To comply with their automatic enrolment duties employers must establish whether a worker in an Entitled Worker, Non Eligible Jobholder or an Eligible Jobholder. Explain the criteria used to determine which category a worker falls into and the action the employer is required to take for each category. (10 marks)**

This was the question learners answered best with over three quarters scoring the maximum 10 marks. Examiners were looking for learners to cover the following:

Entitled Worker
Age 16 - 74
Earnings less than contribution limit
Inform worker they won't be auto-enrolled but can join a scheme
Scheme does not have to be a qualifying scheme
Non Eligible Jobholder
Age 16-74 and
Earnings between lower contribution limit and earnings trigger

Age 16 – 21 or SPA – 74 and
Earnings above Earnings Trigger
Inform worker they won't be auto-enrolled but can opt into a qualifying scheme
Eligible Jobholder
Age 22 - SPA
Earnings above Earnings Trigger
Auto-enrol the worker and inform them of this
Inform them of what to do if they want to opt out

The relevant section of the manual was Section 3, Chapter 1, Page 25

2. Explain how pension sharing on divorce works. (5 marks)

The quality of responses to this question was mixed. Around half of learners scored maximum marks and the average score was around 4. The following points should have been included in the answer.

Some or all of the member's pension is transferred to the ex-spouse / civil partner
Results in member having a reduced pension and ex-spouse having a pension in their own right
Reduction in member's pension is called a pension debit
New pension for ex-spouse is a pension credit
Scheme's policy on divorce determines whether an ex-spouse gets a deferred pension in the scheme or has to transfer it out
Trustees can recover costs incurred for implementation and administration

The relevant section of the manual was Section 3, Chapter 5, page 72

3. In 2021 the Money and Pensions Service was rebranded as MoneyHelper. Outline the objectives of MoneyHelper. (5 marks)

This question wasn't particularly well answered. It seemed like most learners were not familiar with MoneyHelper's objectives. Although they tried to make sensible suggestions most answers lacked the specific detail required to score full marks. MoneyHelper has the following 5 objectives.

To improve the ability of members of the public to make informed financial decisions
To support the provision of information, guidance and advice where it is lacking
To secure that information guidance and advice is provided to members of the public in the clearest and most cost-effective way
To ensure information guidance and advice is available to those most in need of it bearing in mind in particular the needs of people in vulnerable circumstances

To work closely with the devolved authorities for the provision of information guidance and advice to members of the public in Scotland Wales and Northern Ireland

The relevant section of the manual was Part 6 Chapter 3 Page 134.

4. Describe the two types of protection from the Lifetime Allowance Charge that were made available to individuals in 2006. (10 marks)

This was another question where the standard of responses was mixed. Learners generally seemed to be more familiar with the features of Enhanced Protection than they were with Primary Protection. In particular many failed to explain how the enhancement to the standard Lifetime Allowance applies under Primary Protection..

Primary Protection
Available to individuals with benefits valued at more than £1.5 million on 5 April 2006
Value on that date plus an enhancement is protected from the Lifetime Allowance charge
Enhancement is based on the greater of £1.8m and the Standard Lifetime Allowance at the point benefits are paid
Any benefits in excess of enhanced Lifetime Allowance are subject to a Lifetime Allowance tax charge
Enhanced Protection
Available to anyone regardless of value of benefits
Complete protection from Lifetime Allowance charge as long as:
No further contributions are paid to DC
DB accrual doesn't exceed a set limit
Deadline for applying for Primary / Enhanced protection was 5 April 2009

The relevant part of the manual was Section 4, Chapter 3, Page 97.

5. Outline the tax charges that must be reported on an Accounting for Tax (AFT) return (10 marks)

This question was generally well answered. The tax charges that need to be reported are:

Short service refund lump sum charge
For DB members with less than 2 years' service and DC members with less than 30 days
Charge is 20% on first £20k and 50% on excess
LTA charge

Due when scheme payse benefits to a member that has used up their Lifetime Allowance
Charge is 25% if excess benefits are paid as income and 55% if paid as a lump sum
Special lump sum death benefit
Rate is 45%
Annual Allowance charge if member uses Scheme pays
Authorised surplus charge
35% if surplus charges are paid to employer
De-registration charge
40% of scheme assets if HMRC removes tax registration
Overseas transfer charge
25% on taxable overseas transfers

The relevant section of the manual was Section 5, Chapter 3, Page 119.

6. Explain how deferred benefits in excess of GMP are revalued up to Normal Retirement Age for members who left pensionable service on or after 1 January 1991.
(10 marks)

This was the worst answered question on the paper. On average learners scored less than half marks. Despite the instruction to consider benefits in excess of GMP many learners included details of GMP revaluation which didn't score any marks. Also learners missed out on marks because the focussed their answer on deferred final salary benefits and didn't mention deferred CARE or DC benefits. To get full marks learners needed to cover the following points.

Method of revaluation depends on type of pension arrangement
Final salary benefits must be revalued for each complete year between date of leaving and Normal Retirement Age
For benefits accrued before 6 April 2009 increase is lower of increase in prices over the period and 5% per annum compound
For benefits accrued after 5 April 2009 increase is lower of increase in prices over the period and 2.5% per annum compound
Index used for prices changed from RPI to CPI on 1 January 2011
Above are minimum requirements and schemes may provide higher revaluation
CARE arrangements as above or revalue salaries of deferred members in same way as those of active members
DC no minimum level of revaluation. Increase in DC pot solely depends on investment returns

The relevant section of the manual was Section 3, Chapter 1, Page 44-45.