



**Pensions
Management
Institute**

Defined Benefit Arrangements

Wednesday 11th October 2023 9.30 AM – 12.30 PM
Time Allowed: 3 Hours

Pass Mark - 55

- 1.** Answer **ALL** the questions.
- 2.** Type all your answers in the answer box provided.
- 3.** It is suggested to allocate your time according to the proportion of marks each question attracts.

Question Number: 1

In your role as a benefit consultant, prepare a report that explains the features of Defined Benefit (DB) schemes. Your report should cover:

- The definition of a Defined Benefit scheme under the relevant Finance Act 2004
- The key features of a Defined Benefit scheme
- Design variations including Final Salary, Career Average Revalued Earnings, Hybrid and Cash Balance schemes . (Total Marks 35)

Question Number: 2

A lay trustee that is new to the pensions industry has just joined the board. You have been asked to draft a paper to support the trustee's knowledge and understanding of the assessment of the strength of the employer covenant, including:

- The definition of the employer's covenant
 - The factors taken into account to determine critical funding level
 - Considerations relevant to the assessment of the employer covenant
- (15 marks)

Question Number: 3

Describe the primary objectives of DC and DB AVC Scheme Administration. (20 marks)

Question Number: 4

How should the employer's attitude to risk be taken into account by the trustees when making investment decisions and which questions need to be answered in relation to the possible impact on the employer's covenant? (15 marks)

Question Number: 5

You are the Pensions Manager. A trustee is confused between automatic enrolment and non-automatic enrolment schemes.

Write an email comparing the two. (15 marks)