

Advanced Diploma in Retirement Provision

Spring 2024 Examiners report – All units

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Advance Diploma in Retirement Provision- Results Summary

April 2024

The Spring series of the Advanced Diploma in Retirement Provision (ADRP) exams took place in April 2024. For this series of examinations, we had 154 entrants across all 10 exam units, out of which 56 learners passed the exam(s). Overall, the pass rate is 36 %.

The table below provides a summary of the key statistics related to the April 2024 examinations:

Please review the examiners report for each exam unit below.

Exam unit	Pass mark	Exam scripts Received	Pass	Fail	Success rate %
Core unit 1A - Understanding Retirement Provision	65	29	6	23	21%
Core Unit 1B -Foundation in International Employee Benefits	65	7	0	7	0%
Core Unit 2- Regulation of Retirement Provision	65	28	6	22	21%
Core Unit 3 - Running a Workplace Pension Scheme	65	13	8	5	62%
Core Unit 4 -Financing and Investing for Retirement Provision	65	8	2	6	25%
Defined Benefit Arrangements	55	9	6	3	67%
Defined Contribution Arrangements	55	15	9	6	60%
Reward and Retirement Provision	55	32	13	19	41%
Managing International Employee Benefits	55	5	3	2	60%
Professionalism & Governance	55	8	3	5	38%
Total		154	56	98	36%

Core Unit 1A – Understanding Retirement Provision (UK)

This was a 2-hour exam of 11 essay questions. There were a mix of questions requiring a shorter answer, giving 5 to 10 marks, and questions requiring a more detailed answer, giving up to 18 marks.

Questions may be set on any part of the syllabus. Therefore candidates should read all parts of the study manual.

When preparing for exams, candidates are encouraged to review past Examiner reports and should also bear in mind that questions may be set on subject areas which have been covered in previous sittings of this examination.

Question 1

Outline the common features of public sector schemes which applied before 2014.
(10 marks)

Most candidates were able to identify the majority of the common features such as a pension age of 60 for men and women, a pension of typically $1/80$ of final pensionable salary for each year of service plus an automatic lump sum of $3/80$ of final pensionable salary for each year. Fewer mentioned the ill health benefits typically being more generous than the private sector, the public sector transfer club and that pensions in payment and deferred pensions are increased fully in line with inflation, although many did mention the change in inflation measure from RPI to CPI. Very few candidates mentioned the increase in retirement age from 60 to 65 and that some occupations, such as the police, had lower retirement ages.

The relevant section of the study manual is Section 4, Chapter 2.3.1.

Question 2

Identify who can participate in NEST.

(5 marks)

The majority of candidates identified that any employer can use NEST and that it can be used by all employees who are eligible for auto-enrolment. Fewer mentioned that it can be used by employees who are not eligible for auto-enrolment but who choose to opt in. Very few candidates stated that members can be transferred in as part of a bulk transfer of accrued rights without member consent or that the self-employed can use NEST.

The relevant section of the study manual is Section 3, Chapter 3.3.3.

Question 3

The provision of the State pension has increasingly imposed financial strains on governments. Outline the changes since Lord Turner's 2005 Pension Commission report which have sought to make State pension provision more affordable.
(10 marks)

Most candidates picked up some marks here though very few covered all of the points outlined in the study manual. Candidates commonly mentioned the introduction of the new flat rate State pension and that State pension age is increasing, though few gave details of the gradual increase between 2018 and 2046. Very few candidates mentioned the changes to the State Second Pension or went into sufficient detail about the changes to score highly.

The relevant section of the study manual is Section 1, Chapter 2.2.

Question 4

State the main terms of the Finance Act 1921 in relation to the tax treatment of occupational pension schemes. (5 marks)

The vast majority of candidates wrote about contributions being exempt from tax, investments building up largely exempt from tax and about pension payments being subject to tax. Comparatively few explained that to be eligible for tax relief the occupational pension scheme must be established under trust and its sole purpose must be to provide annuities to former employees on retirement.

The relevant section of the study manual is Section 1, Chapter 1.4.1

Question 5

Outline the advantages and disadvantages of buy to let property investment.
(12 marks)

This question has been set before. Candidates generally scored highly although commonly candidates missed out on marks by not mentioning some disadvantages such as higher mortgage rates and the additional taxes such as a 3% stamp duty surcharge.

The relevant section of the study manual is Section 1, Chapter 2.3.4.

Question 6

List the key features of retirement annuity contracts (also known as section 226 policies) which applied when they were established.
(5 marks)

A few candidates scored well on this question, but others failed to score any marks at all. Although retirement annuity contracts have not been sold since the late 1980s they do still exist and current policyholders can continue to contribute to them. They were widely held by the self-employed. Some candidates misunderstood this question and wrote about annuities bought at retirement.

The relevant section of the study manual is Section 4, Chapter 1.2.6.

Question 7

Describe how the pension and final pensionable salary is calculated in a final salary pension scheme and give an example.

(10 marks)

Most candidates answered this question very well, particularly in describing how the pension is calculated. They were able to describe the formula used in calculating pension and give a worked example. Some did not give sufficient detail about how final pensionable salary is calculated with few explaining that it may include bonus and overtime. Many candidates also did not mention that it can be subject to a deduction, for example of an amount equal to the Lower Earnings Limit.

The relevant section of the study manual is Section 4, Chapter 2.1.2.

Question 8

List the risk warnings which must be given when a member accesses retirement benefits flexibly.

(5 marks)

Many candidates struggled to answer this question. These warnings should form part of standard communications from a trust- or contract-based defined contribution scheme when a member accesses benefits flexibly. Some candidates incorrectly wrote about the need for financial advice or scam warnings.

The relevant section of the study manual is Section 1, Chapter 2.4.2.

Question 9

Describe how benefits are calculated in a cash balance scheme and give an example of the benefit formula.

(10 marks)

Most candidates scored a few marks on this question and a small number scored highly. Candidates generally had some idea that a cash balance scheme provides a guaranteed lump sum at retirement and that employers may have to contribute extra in order to make up any shortfall in funding. Fewer were able to describe how the retirement fund can be used to buy an annuity and part can be drawn as a tax free lump sum so the eventual pension is not known in advance and will depend on market conditions at retirement.

The relevant section of the study manual is Section 4, Chapter 2.1.5.

Question 10

Describe how the Pensions Regulator might take regulatory action to protect the security of members' benefits.

(18 marks)

A similar question has been set before. Some candidates scored reasonably well. However several answers were insufficiently focussed on the Pensions Regulator's powers to protect members' benefits and instead wrote more generally about the role of the Regulator. Candidates' answers needed to cover improvement notices, freezing orders, the banning of trustees who fail to meet the fit and proper test, contribution notices, financial support directions and restoration orders. Some answers were particularly short – candidates should bear in mind that to score well in a question with 18 marks they will need to give at least 18 bits of information.

The relevant section of the study manual is Section 2, Chapter 1.1.1.

Question 11

List the factors which employers must consider in designing a workplace pension scheme.

(10 marks)

Most candidates scored fairly highly, giving a reasonable amount of detail. They mentioned benefit structure (defined benefit or defined contribution), eligibility, contribution rates and having different benefit sections for different groups of employees. Fewer mentioned taking into account tax and other laws and regulations.

Core Unit 1B – Foundation in International Employee Benefits

Summary

It is the view of the Examiners that Candidates found this to be a challenging paper. In summary:

- *Candidates who gave targeted answers to the questions, providing the specific detail requested from the relevant section of the study material, were able to score the highest marks.*
- *Candidates who gave short and/or generic answers to the questions, without providing the specific detail requested from the relevant section of the study material, were unable to score the marks necessary to obtain a passing grade.*

In addition to commentary on the questions below, general guidance for Candidates is provided at the end of this report.

Question 1

As the International Benefit Manager, draft a note on the 'Group Registered Retirement Savings Plan (GRRSP)', which is a type of benefit provision in Canada. Your note should include the advantages of such a plan, how contributions are paid, and what happens upon either termination of employment or early withdrawals.

(15 marks)

- Most Candidates were able to make a good attempt at this question, identifying some of the key points.
- More specific detail was required from the relevant section of the Study Manual for higher marks.

Study Manual: Part 4 (An overview of Key Employee Benefits), Chapter 5.2 (Page 50)

Question 2

There are several trends in Social Security provision in both Europe and North America. Set out the most important trends that have been identified and how countries have tried to meet or deal with these challenges or trends.

(10 marks)

- This question was reasonably well answered by most Candidates.
- Candidates demonstrated some good general knowledge regarding trends in Social Security provision.
- However, to score well on this question, it was necessary to tailor the answer to set out the most important trends that have been identified, and how countries have tried to meet or deal with these challenges or trends, as described in the relevant section of the Study Manual.

- Candidates are encouraged to allocate some time to reading the questions carefully to determine which area of the study material is being examined and provide answers accordingly.

Study Manual Section - Part 11 (Regional Round-up: Europe and North America) Chapter 1.2.1 (Page 181)

Question 3

Describe the operation of Universal Credit (UC) in the UK covering eligibility and possible benefits (20 marks)

- Most Candidates struggled to provide the level of detail required for this question.
- The question required Candidates to learn and recall details about the operation of Universal Credit (UC) in the UK as described in the IGP Country Profile for the UK.
- A reminder for all candidates that questions from the Country Profile of the Study Manual are set to test knowledge and understanding of the benefit provisions of that country.

Study Material Section - IGP Country Profiles - UK (Pages 11-12)

Question 4

Regulation 1408/71 and successive regulations have set out the Social Security provision for mobile employees within the EU and EEA, with the latest revised regulation being 883/2004 (as amended in 2012). State the three fundamental principles of the regulation that enable migrant workers to be protected.

(5 marks)

- Candidates demonstrated some good general knowledge regarding the EU.
- However, to score well on this question, it was necessary for candidates to provide specific information on the three fundamental principles of the regulation that enable migrant workers to be protected as described in the relevant section of the Study Manual.

Study Manual Section - Part 12 (The European Union), Chapter 1.6 (Page 202)

Question 5

Describe the main provisions of The Health Insurance Act (ZVW) in the Netherlands, including contributions required, the type of benefits covered, and details of the

supplementary benefits that are available.
(10 marks)

- Candidates demonstrated some good general knowledge around Health Insurance in the Netherlands
- However, to score well on this question, it was necessary to write down more specific detail on the Health Insurance Act (ZVW), including contributions required, the type of benefits covered, and details of the supplementary benefits that are available, from the relevant section of the Study Manual.

Study Manual: IGP Country Profiles - (Netherlands) (Page 13)

Question 6

List the factors that may motivate an employee and the things a Benefit Manager must do to achieve this.

(7 marks)

- This question was generally well answered with Candidates able to identify several key points.
- More specific detail was required from the relevant section of the Study Manual to achieve higher marks.

Study Manual Section - Part 1 (Overview of International Employee Benefits), Chapter 1.1 (Page 2)

Question 7

Pension plans often consider appointing vendors to carry out certain operations if they are unable to carry them out themselves. Draft a report for your board of trustees on when the plan may consider the use of vendors for "Other Benefit Provision". Your report should not cover the use of vendors in respect of 'Pension Benefit Provision'.

(15 marks)

- Candidates who were able to identify the key points from the relevant section of the Study Manual scored well on this question.
- Candidates who did less well struggled to achieve good marks as they provided short or generic answers.
- Candidates are advised to check the number of marks available for each question and use this as a guide to the level of detail required.
- The Examiners were pleased to note that most candidates formatted their answers as a Report as instructed in the question and were awarded valuable format marks as a result.

Study Manual: Part 7 (The role of different parties involved in the provision of International Employee Benefits), Chapter 11.2.2 (Page 125)

Question 8

Outline the method by which of Cost-of-Living Adjustments (COLA) are applied to Retirement Benefits under the Social Security System in the United States.

(10 marks)

- Candidates struggled with this question, with some candidates not attempting the question at all.
- A few Candidates demonstrated some general knowledge around Social Security in the United States. However, to score well on this question, it was necessary to outline the method by which of Cost-of-Living Adjustments (COLA) are applied to Retirement Benefits under the Social Security System in the United States, from the relevant section of the Study Manual.
- Candidates are reminded that the study material includes the IGP Country Profiles, and exam questions can be set on the material contained in the relevant IGP Country Profiles to test detailed country specific knowledge.

Study Manual: IGP Country Profiles (United States), (Page 8)

Question 9

Set out the key features of 'Section 423 Plans (employee Share Purchase Plan or ESPP)' in the USA.

(8 marks)

- This question was poorly answered by most Candidates.
- Some Candidates confused Section 423 Plans with Incentive Stock Options (ISO Plans) and as a result scored low or no marks.

Study Manual: Part 4 (An overview of key employee benefits), Chapter 6.2 (Page 56)

Generally, Candidates are encouraged to:

- Ensure an understanding of the structure of the course and CU1B syllabus, noting that exam questions can be set on all of the examinable material.
- Read questions carefully to determine to which area of the study material is being examined, and what the question is asking you to focus on e.g. "taxation", "methods of funding" etc.
- Avoid spending too much time providing information which has not been asked for in the question, or which is not described in similar detail in the study material.
- Take note of instructive words given in the question – for example "list" indicates that a list of key items is required, rather than a block of descriptive text.
- Note the number of marks available can be used to indicate the level of detail required in an answer.
- Be aware that long form questions can be set to test detailed technical or country specific knowledge and to prepare accordingly.
- Remember to include any dates, amounts, limits, and figures detailed in the relevant section of the study material to add sufficient detail to your answer to score full marks.
- Take advantage of any bonus marks available for format.
- An important part of the CU1B syllabus is to test Candidates' knowledge of benefits in different countries, and specific information on the relevant countries is provided as part of the Study Manual. Where a particular country or jurisdiction is specified within a question, higher marks will usually be achieved by providing information from the section that is specific to that country rather than generic information on the topic from another area of the study material.

Core Unit 2 – Regulation of Retirement Provision

Summary

It is the view of the Examiners that the scripts marked during this exam sitting could generally have been better when compared against previous exam sittings.

In addition to commentary on the April 2024 questions below, general guidance for candidates who did not achieve high marks is provided at the end of this report. The Examiners would like to highlight to candidates the importance of exam technique and noting that exam questions can be set from any section of the manual, making it crucial to study the entire manual thoroughly.

Question 1

Explain 'The Information and Consultation of Employees Regulations'

(10 marks)

- Candidates tended to either do very well and therefore achieve very good marks, or very poorly and therefore were not awarded many marks.
- Very few candidates were able to provide the required information to obtain full marks.

The relevant section of the study manual: Part 3 (Other Relevant Areas of Law), Chapter 1.5.1 (Page 94)

Question 2

List:

- a) the type of payments that are usually classed as authorised payments (5 marks), and
- b) the conditions, of which at least one must apply, to be exempt from the overseas transfer charge (5 marks)

marks)

(10

- Most candidates were able to identify all or most of the types of authorised payments, but payments pursuant to a pension sharing order were often missed.
- The QROPS part of this question was not answered quite as well, although most candidates managed to note some of the conditions.

The relevant section of the study manual: Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 1.5 (Page 12) and Chapter 1.6.2 (Page 15)

Question 3

Draft short notes on:

- (i) The interim response in relation to GMP equalisation that was published in April 2013 (5 marks),
- (ii) The key risk indicators for trustees and members to spot a scam in relation to pensions liberation (5 marks), and
- (iii) In the High Court case (Hughes vs TPO), the definition of "transfer credits" under section 181 of the Pension Schemes Act 1993 and what it provides for (5 marks)

(15 marks)

- Parts (i) and (iii) of this question were poorly answered.
- For (i), most candidates gave a generic explanation of GMP equalisation rather than focusing on the actual question asked.
- Part (ii) of the question was much better answered, with most candidates able to identify the majority of the key risk indicators.

The relevant section of the study manual - Part 6 (Current Issues) Chapter 1.2.7 (Page 145), Chapter 2.1 (149) and Chapter 2.5 (151)

Question 4

State the statutory objectives of The Pensions Regulator (TPR)

(5 marks)

- Candidates were either aware of the five specific statutory objectives, in which case full marks were achieved, or gave more general answers about the role of TPR and therefore failed to score well.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 3.2 (Page 20)

Question 5

Draft a briefing paper that summarises the provisions of section 67 of the Pensions Act 1995. Your paper should cover:

- (i) the provisions of section 67 (3 marks)
- (ii) "Protected modification" (4 marks)
- (iii) "Detrimental modification" (9 marks)
- (iv) the definition of "member" (2 marks), and
- (v) the definition of "Subsisting rights" (2 marks).

(20 marks)

- This was another question where candidates tended to either do very well or very poorly.
- Some candidates attempted the question without having learned the relevant section in the Study Manual and these candidates achieved very poor marks.

The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapter 3.5.3 (Page 81)

Question 6

TPR has issued a value for members' (VFM) code for DC Trust-based Pension Schemes (including Master Trusts). Set out:

- (i) The four key areas which, as a minimum, TPR expects trustee boards to consider when they are assessing VFM (4 marks),
- (ii) TPR's model process for a VFM assessment (4 marks),
- (iii) The requirements under the law and TPR's expectations when assessing VFM (4 marks),
- (iv) The key factors that might influence the overall value offered by a scheme (3 marks)

(15 marks)

- Poorly answered question.
- Several candidates gave fairly generic answers, but these did not address the specific points required by the question and so few marks could be awarded.

The relevant section of the study manual - Part 5 (Governance Requirements), Chapter 1.2.3 (Page 128)

Question 7

Under the 'Anti-avoidance Regime', TPR has a range of powers. Outline the circumstances in which TPR expects to use the "material detriment" test.

(10 marks)

- There was a wide variation in the standard and quality of answers.
- Very few candidates noted a business model or the operation of a scheme designed to give a financial benefit to the employer or some other person at the expense of members as one of the circumstances where TPR may use the material detriment test.

The relevant section of the study manual - Part 4 (Corporate Transactions: Purchases, Sales and Mergers), Chapter 1.8.2 (Page 116)

Question 8

Describe the key objectives of the Retail Distribution Review (RDR), and the new requirements placed on financial advisers when the new rules came into force on 31 December 2012.

(7 marks)

- A few candidates performed well on this question, and therefore achieved good marks.
- Few candidates mentioned that this applies in respect of all Retail Investment Products as defined by the FCA (including stakeholder and personal pension schemes).

The relevant section of the study manual: Part 5 (Governance Requirements), Chapter 1.5.4 (Page 135)

Question 9

Describe the powers the Information Commissioner's Office (ICO) has to enforce data protection requirements and the process for appealing any notices received from ICO.

marks)

- Most candidates picked up marks for the description of ICO's powers, but hardly any candidates scored any marks for ICO's appeals process.

The relevant section of the study manual - Part 3 (Other Relevant Areas of Law), Chapter 1.1.5 (Page 88)

Generally, candidates are reminded to:

- Candidates should ensure they understand the structure of the course and CU2 syllabus
- Read questions carefully to determine which area of the study manual is being examined.
- Take note of instructive words given in the question – for example "list" indicates that a list of key items is required, rather than a block of descriptive text.
- Note that the number of marks available can be used to indicate the level of detail required in an answer.
- Take advantage of any bonus marks available.
- Avoid spending too much time providing information which has not been asked for, or which is not described in similar detail in the Study Manual.

CU3- Running a workplace Pension Scheme

Question 1

List the circumstances in which HMRC will levy penalties against a pension scheme in relation to Real Time Information (RTI), and what could these penalties be for a scheme with over 250 members? (5 marks)

This question was not generally answered well, only one candidate picked up all 5 marks and several got none. Not many candidates picked up on the points regarding the Employer Payment Schedule and the fact HMRC can also issue schemes with estimated PAYE payment demands.

Question 2

List the types of defined benefit pension scheme that are not required to appoint a Scheme Auditor or a Scheme Actuary under the Pensions Act 1995. (5 marks)

Generally, this question was reasonably well answered. Candidates knew that there were exemptions for certain small schemes, but not many picked up on the fact certain public sector schemes were exempt.

Question 3

Describe the main features of the operation of a Master Trust (10 marks)

This is a very topical subject and was really well answered by a number of candidates, with three getting full marks. However a few candidates scored only a few marks, and one not at all. This should have been a relatively straightforward question but some candidates had very little knowledge at all and did not even attempt an answer. Those that did score well did as asked and detailed out the main features of a MT.

Question 4

Give examples of why real time online switching is not a standard approach for all DC schemes, and why technology is a particular barrier. (10 marks)

This was a straight forward question which was reflected by the marks awarded. Most candidates scored very favourable indicating a thorough knowledge of the subject material. There were no obvious omissions, and five candidates achieved full marks. Those that did not score as well generally did not answer the part of the question regarding barriers.

Question 5

Compare Fixed Protection 2016 and Individual Protection 2016, to include the process for applying for protection and the basis on which benefits are protected (10 marks)

Candidates again scored well in this question, it was one of the best answered questions in the paper. We were looking for distinct processes for each type of protection and most candidates managed this, although a few got them slightly mixed up. There was quite a bit of recital needed from the manual on dates and amounts which accounted for quite a few of the marks. A number of candidates laid out their answers in such a way that it was easy to compare the two types of protection.

Question 6

Write brief notes on the alternatives to a scheme pension or a lifetime annuity that members of defined contribution schemes have when they take their retirement benefits from their pension scheme (20 marks)

This question was only answered really well by a couple of candidates. There were well over twenty marks available and given it is a fairly recent and topical subject it should have been a question that produced higher marks. While most candidates were able to list the various alternatives, some were not then able to provide much detail on them so did not pick up the majority of marks available. Those that did have the details laid out their responses in an ordered format and captured many of the key points we were looking for.

Question 7

Describe the formal guidelines set out by the Statement of Recommended Practice (SORP) in relation to pension scheme accounts. Your answer should cover which pension schemes SORP applies to, which are excluded and the specific requirements for disclosure of benefits. (20 marks)

This question was poorly answered by most candidates, indeed only two of them achieved more than ten marks. It is an area of the manual that has not been covered much in previous exams, but is an important area and the available marks were all covered in the book. It is probably an area that most or all candidates will not necessarily touch on in their day to day jobs, but should be something they are aware of and be capable of talking about. Many candidates made little attempt at an answer, and even some of the candidates who comfortably achieved an overall pass mark scored few marks in this question.

Question 8

Discuss the Transfer Regulations introduced in November 2021. Your answer should include details of the various checks the Trustees must carry out to satisfy themselves that the transfer can be made, including 5 examples of both amber and red flags. (20 marks)

This question was very well answered and reflects the fact that the candidates were largely very well aware of this recent legislative change and the specific details, and were able to get across a sound understanding of the key points. Only two candidates scored less than 10 marks, and most achieved 15 or more marks. Transfers are still a high profile scheme transaction for all stakeholders and it was good to see such a good understanding of the subject, with most candidates able to list examples of amber and red flags.

Defined Benefit Arrangements

Question 1

Write a detailed report discussing the actuarial principles and methods used in scheme valuations based on the standard terms, funding methods and demographic and financial assumptions.

(40 marks)

This question carried 40 marks, double compared to each of the other questions, so a candidate needs to have spent approximately one and a quarter hour answering it. It was in a report format where extra marks were gained by complying with this request. Most candidates complied with the format. Candidates either scored really well on this question showing they had thoroughly revised and learnt the facts or poorly which shows a lack of structured revision. The question was well signposted so candidates needed to systematically work their way through the question. Generally, candidates included standard terms such as target fund and desired level of funding at valuation date. Some omitted standard contribution rate if assets equalled the target fund. Projected earnings were covered however past service liabilities were not. The liabilities based on pensionable service up to the valuation date, nor was the modified contribution rate where the standard contribution rate is modified to eliminate differences between the target fund and the value of the scheme's assets at the Valuation date.

The funding methods were well covered but not the characteristic of each such as the projected unit method provides a stable standard contribution rate and the attained age method yields an average contribution rate. The financial assumptions such as price inflation and general salary growth were well covered as were the demographic assumptions such as withdrawal rates and death in service.

Question 2

Set out the key facts and considerations involved in the winding-up process of an occupational pension scheme, covering the background to winding up, circumstances specified in the Trust Deed, Termination by the Pensions Regulator and Postponement of Winding Up.

(20 marks)

This was probably the least well answered of the question. The question was clearly signposted as to what was required, but many candidates had not learnt the relevant information. Few candidates covered the background to winding up such as members' benefits accrual ceases as does death in served benefits. The circumstances specified in the Trust Deed, such as the principal employer giving notice that it intends to cease scheme contributions or cease to trade or become insolvent were included. Termination by the Pension Regulator could have mentioned powers under section 11 of The Pension Act 19965 to direct or authorise that a scheme be wound up. Material covering postponement of winding up was generally included such as many schemes contain a provision in their Trust Deed to allow the trustee to postpone windup and to continue to run the scheme.

Question 3

You are Pensions Manager for an active DB scheme. Describe the process for investing both DB and DC Additional Voluntary Contributions and the legal requirements in relation to monitoring.

(20 marks)

This question was well answered. Candidates were able to distinguish between DC and DC AVCS and fully explain the process for investing. Candidates knew less about contribution monitoring in particular. The Pensions regulator's Code of practice 13 (Governance and administration of occupational trust-based pension schemes providing money purchase benefits) applies to AVCS in DB Scheme. In the administration section of the code under 'Core Financial Transactions' the regulator states that the law requires trustees to ensure that core financial transactions are processed promptly and accurately. Trustees will need to decide how to apply this and any other relevant aspects of the code to AVCS.

Question 4

Describe the increases that are applied to various elements of a pension once it is put into payment, taking into account whether or not the scheme was contracted out.

(20 marks)

Candidates did well in explaining the excess elements of pension increases such as there is no legal requirement to increase any remaining pre-6 April 1997 pension in excess of the GMP. However, some did get confused about which element increased and which didn't, losing valuable marks. The manual needs to be learned very precisely as it is such a waste of marks to misremember facts which are almost correct but not sufficiently so to earn full marks. A major omission was the basis known as Limited Price Indexation. This need not be applied to pensioners under 55 unless retirement was due to ill health, although at age 55 the pension must be increased to what it would have been had LPI applied. GMP was less well answered. Could have included that increases apply on 6 April each year based on the increase in the CPI for the 12 months ending the preceding September and are added to the State Second Pension.

Defined Contribution Arrangements

Question 1

Set out the key features of the Single Tier State Pension when considering the Scheme design. (20 marks).

This question was well answered on the whole. There was no format mark as candidates had simply to set out the key features. Candidates especially knew about its features such as you can not receive a lump sum deferred payment and that it is not possible to derive or inherit pension from spouse/civil partner under a single state pension. Most omitted that the scheme design should consider and recognise the level of state pension due at retirement and that the combined pension statement provided details of state pension and scheme benefits. This ceased in the 2015/16 tax year. It is hoped information concerning the state pension will be available on

the Pensions Dashboard. If fewer national insurance contributions are received the pension is proportionally reduced.

Question 2

You are a Pensions Adviser for XYZ Ltd and you have been asked to draft a report identifying the relevant legislation and process of Scheme Registration with HMRC. **(20 marks)**.

This question required a detailed knowledge of numerical time periods and dates which are more difficult to commit to memory, but which many candidates successfully reproduced. A report format was requested, again the majority of candidates complied with this. Most candidates remembered that the scheme has 45 days to submit the risk assessment. Registration deters scams and safeguards pension savings. 7 days written notice is required before a document inspection. Omissions which were particularly prevalent included that the scheme administrator is not fit and proper to fulfil the roll, the risk assessment includes writing to the scheme administrator for information and that existing schemes opt out option, subject to de-registration tax of 40% of the value of the assets. A scheme is issued with a pension scheme tax reference as evidence of registration.

Question 3

Write a Report explaining:

- a) The overseas pension charge, including the exemptions and analyse the possible reasoning behind the requirements. **(20 marks)**
- b) Pension scams and how guidance has been given to identify these. **(20 marks)**

(40 marks)

This question carried 40 marks, double compared to each of the other questions, so a candidate needs to have spent approximately one and a quarter hour answering it. It was in a report format where extra marks were gained by complying with this request. Most candidates complied with the format. Candidates either scored really well on this question showing they had thoroughly revised and learnt the facts or poorly which shows a lack of structured revision. Candidates covered the overseas pension charge well gaining most of the pertinent facts. However fewer analysed the reasoning behind it. They could have mentioned that it reflects government efforts to monitor and regulate cross-border pension transfers; by imposing a fixed charge authorities aim to deter individuals from exploiting tax loopholes through off shore pension arrangements, effectiveness hinges on robust enforcement mechanisms and adherence to compliance procedures by scheme administrators. Again, the exemptions were on the whole reproduced but with no analysis. Ideas for this include the nuanced nature of pension regulations, the challenges regarding residence verification and the scheme sponsorship and that robust oversight mechanisms are needed.

With pension scams candidates either fully remembered the facts so scored well or did not remember anything at all losing many valuable marks. Analysis here, which again was not covered could have mentioned the collaborative efforts to reflect a proactive approach, and that the evolving nature of fraudulent schemes necessitates continued adaption and vigilance from regulators and scheme administrators.

Candidates should ensure they fully answer the question asked to gain full marks. Carefully initially read, and then reread the question half way through answering it to ensure that you are covering all the facets required.

Question 4

Identify the Regulatory Requirements for Default Funds under Qualifying Schemes including designing the Default Option and communicating the Default Option to members. **(20 marks)**

No specific format was required here just identification of the Acts. Candidates generally knew the facts about the default funds such as that new requirements for charge caps were introduced on default funds but not that it was from 6th April 2015. However few candidates scored many more marks on this question. Designing the default option was not answered, facts such as the decision maker was responsible to ensure that it was a high-level objective and suitable for employees. Many omitted a lot of information on communicating the default option such as risk profile, charging structure and signposting on how to request further information.

If candidates had learnt the information this was a straight forward question which was well sign posted as to the information expected. Candidates who had revised thoroughly earned respectable marks.

Reward and Retirement Provision

This year's paper comprised of five questions, three of which required the answer to be in a particular communication format, either a report, briefing paper, or a summary. Whilst most learners made a fair attempt at these formats when answering the questions, some key criteria was often overlooked. For example, a report format should consist of a title page, contents, executive summary, analysis in bulleted/numbered points, and conclusions/recommendations and be written in a professional business-like style.

Once again, the overall standard was very poor and so the pass rate was disappointingly low.

The examiners would like to remind learners that the exam is always based upon a wide selection of the syllabus and therefore questions can set on any part of the manual which must be thoroughly studied.

There were several cases where there was a misunderstanding of terminology, eg. in the questions relating to Flexible Benefits Plan, Disguised Remuneration, Private Medical Insurance and Employment and Support Allowance.

The general layout of learners' answers was good, and the examiners found them easy to read.

Question 1

The Board has decided to proceed with the implementation of a flexible benefits plan.

As the Company's benefit consultant, prepare a report for submission to the HR Director setting out the following four phases of the implementation process:

1. Defining the requirements
2. Building the system
3. Internal Testing
4. User Acceptance Testing

Your report should concentrate on these phases only - you are not required to include reference to the Launch phase. (35 marks)

This question carried the highest marks and required the answer to be written in a report format.

There were several excellent answers where learners were able to recall most of the relevant details covering the implementation process of a flexible benefits plan. However,

- Marks were missed by not being able to define the actual details required in the setting up of a successful plan eg. all the reports required for HR and payroll, etc.
- Details were often missed under both Building the System and Internal Testing sections.
- Unfortunately, in one case there was confusion between a flexible benefits plan and the ability to draw retirements benefits on a flexible basis.

The relevant section of the Tuition Manual was Section 1, Chapter 2 - 2.4.1 - 2.4.4.

Question 2

As the Company's Finance Director, write a short briefing paper to the Global HR team summarising:

1. The introduction of Disguised Remuneration, its general application and exclusions that apply
2. The impact of Disguised Remuneration on PAYE and NIC obligations for:
 - (i) Unfunded unregistered pension schemes
 - (ii) Existing funded unapproved retirement benefit schemes and employer-financed retirement benefit schemes (20 marks)

The majority of learners found this a challenging question and whilst there were some comprehensive answers, generally learners had difficulty in recalling the relevant information required to obtain good marks.

In one case there was a complete misunderstanding by the learner of the definition of 'Disguised Remuneration' in which they had confused it with the payment of expenses, etc.

The relevant section of the Tuition Manual was Section 3, Chapter 1 – 1.8.

Question 3

Your client is a small company that wishes to enhance its employee benefits package by establishing a private medical insurance plan for all staff.

As part of your advice to the client, prepare a summary of the following bases on which the plan could be established by the insurer:

1. Medical History Disregarded
2. Full Medical Underwriting
3. Moratorium

This question required a straightforward summary setting out the relevant detail around the three types of underwriting that could apply to a private medical insurance scheme. Generally, learners gained good marks. A number of salient points were missed though:

- In relation to Full Medical Underwriting, it was necessary to identify the four factors which can determine an individual's health care costs, ie. occupation, diet, alcohol consumption and smoking.
- Under the Moratorium basis, learners needed to identify that there is a 2 year exclusion period relating to pre-existing conditions which have occurred in the 5 years prior to commencement of the plan.

The relevant section of the Tuition Manual was Section 3, Chapter 2 - 2.5, 2.5.1, 2.5.2.

Question 4

Employment and Support Allowance (ESA) is one of the main State sickness benefits.

Write an analysis of the ESA assessment phase to include the following:

1. The eligibility and benefits payable
2. The procedures the claimant is required to undertake
3. The outcome of those procedures at the end of the assessment phase

You are not required to include any details of any enhanced disability premium or severe disability premium which may be payable if the claimant becomes entitled to receive ESA. (15 marks)

This question was reasonably well answered, and learners provided much of the detail required in respect of the Employment and Support Allowance sections for eligibility and benefits payable and procedures the claimant is required to undertake.

However, the outcome of the procedures section was less well covered where learners should have mentioned that, if eligible, claimants are then placed into one of two groups – either the work related activity group or the support group. They should also have covered the benefit entitlement under these groups.

The relevant section of the Tuition Manual was Section 1, Chapter 1 - 1.1.3.

Question 5

Set out the changes to the State Second Pension implemented from 6 April 2016 for those reaching State pension age after 5 April 2016.

You are not required to give details of the accrual basis of the State Second Pension as applied before 6 April 2016 or the standard flat-rate amount payable from 6 April 2014. (15 marks)

Learners were generally able to recall many of the salient points relevant to the changes to the State Second Pension made in 2016 and so gained a reasonable mark for this question.

Several points were either poorly covered or missed:

- Reference to being credited with enough NICs on earnings to count as a qualifying year.

- Reference to the Pensions Act 2014 relating to the uprating arrangements for the single-tier pension.
- Reference to the rate of increase to the single-tier pension.
- Further information can be obtained from gov.uk.

The relevant section of the Tuition Manual was Section 3, Chapter 3 – 3.7.

Managing International Employee Benefits

Summary

The script for the Spring 2024 exams session included five questions calibrated according to the curriculum material for this session, comprising of the 2024 IEBA Manual and a selection of IGP Country Profiles.

The overall outcome of the exams session is that out of five candidates, three were marked as passes.

The Examiners observed that the overall quality of the submitted scripts for the candidates who passed was fairly consistent, as it combined a degree of familiarity and comprehension of the curriculum, and an often deeper subject matter experience acquired through personal research and work practice.

On the contrary, the quality of the scripts of the candidates who did not pass was quite inconsistent, and at times very poor.

Question 1 – 15 marks (plus 5 format marks)

Explain how the governance agenda impacts the management of international employee benefits, with specific focus on the decision-making process at local, regional, corporate and board level, and on the key factors that influence this process.

Examiners Comments:

The quality of the responses to this question was consistently quite poor, in terms of understanding the subject matter, capturing the key factors in the answers and overall structure.

IEBA Manual - Part 3, pages 13, 14

Question 2 – 15 marks (plus 5 format marks)

You are a member of a workgroup in charge of reviewing the funding policy of your company's DB Pension Scheme. Explain:

- the main business objectives for your corporation
- how different funding policies address these
- the risks and opportunities in overfunding and underfunding a DB pension scheme
- the recent trends and developments in pension funding.

Examiners Comments:

The question's structured layout appeared to have contributed to a better average quality of answers, both in terms of content and structure.

In particular, two answers were clearly enunciated, with a robust combination of diligent knowledge of the study manual and personal reflections based on current or prior work experience.

IEBA Manual - Part 5, pages 72, 73, 74, 75

Question 3 – 20 marks

You have been recently appointed to review your company's global Risk Employee Benefits funding strategy, which includes an underperforming multinational pooling arrangement, with significant accrued losses. Explain:

- (i) the different systems, risk charges and choice of loss treatment system for dealing with losses
- (ii) the principal ways in which captives are used to support the provision of employee benefits
- (iii) the advantages of a captive approach

Examiners Comments:

The answers to this question consistently achieved the highest mark for all candidates, including those who did not pass the exam.

All answers demonstrated a thorough knowledge of the subject matter and a robust understanding of the guiding principles and key features of multinational employee benefits programmes.

IEBA Manual - Part 6, pages 89-90, and 92

Question 4 – 25 marks (plus 5 format marks)

Your company is considering to establish an international pension plan for your globally mobile employees, and you have been asked to prepare a feasibility report. Your report should focus on:

- Key objectives
- Domicile considerations and options
- Design of an international pension plan
- Advantages and disadvantages of a EU-based IORP versus an offshore IPP

Examiners Comments:

The answers to this question were consistent with the overall marks achieved by each candidate, in that candidates who did not pass the exam provided generally quite poor answers, whereas candidates who passed were able to answer more thoroughly and with a cohesive structure.

All answers bar one were structured to an at least acceptable standard, whilst the substance of each answer made the difference to the overall marks being awarded. These ranged from a rather basic understanding of the subject matter, to a more thorough knowledge of both the study curriculum and the current practices.

IEBA Manual - Part 8, pages 140, 141, 142, 143

Question 5 – 20 marks

As your company's International Employee Benefits Specialist, you are meeting with the newly appointed General Manager of your company's Chinese subsidiary, a corporate executive about to move to Shanghai.

- Explain the employee benefits he is entitled to as an expatriate employee
- Explain the employee benefits that should be offered to the local employees of the subsidiary

Examiners Comments:

The answers to this question achieved the lowest marks on average for all candidates, with all bar one not reaching a pass mark.

Whilst some answers demonstrated a degree of knowledge of the study material, most lacked the required depth, detail and level of comprehension expected from an international employee benefits practitioner.

IEBA Manual - Part 8, Chapter 1, pages 131, 132,133
<https://www.igpinfo.com/content/dam/igp/documents/en/country-profiles/igp-country-profile-china.pdf>

Professionalism & Governance

PMI's Advanced Diploma (Pension Benefits) is a Level 6 qualification, this means it's equivalent to an undergraduate Degree. When learners think about the time they need to spend studying for their exams, they should think about it in this context. Have they done enough work? The Professionalism & Governance (P&G) module is the final exam this Advanced Diploma, and the route to Fellowship for other pathways. It's therefore designed to be challenging, and without considerable study the chances of passing are slim. Once learners pass the P&G module, they should be considered a pensions specialist and ready for senior positions within the industry.

The 3 hour P&G exam consists of case studies, questions and scenarios, which can be based on the Governance and Professionalism Manuals, the PMI Code of Conduct (the Code) and also highly topical subjects. The Communications Manual supports learners' understanding of how to frame the format of their answer, but also includes technical information relevant to the exam. Learners must understand simply learning the Manuals by rote is **not** enough to be able to pass this exam. They are expected to be aware of topical issues affecting the industry through additional reading and learning. This will give them the breadth of knowledge required to be able to gain the 56 marks required to pass the P&G Module.

When reviewing their answers before submitting the entry to the exam portal, learners need to challenge themselves on whether they have given sufficient detail to gain the marks available. This is indicated by the marks for each question, and their weighting is signposted within each question. These are shown to help learners understand where more focus is required. Learners who did not reach the required level in this sitting either failed to take note of the questions' weighting, failed to give an overall sufficient level of detail – or both.

Learners should always review their answers for technical accuracy, readability, spelling and grammar. Poorly written answers which do not flow will detract from the 12 communications marks available. These are easy marks to gain. Learners need to practice typing the essential elements of the required formats, so this is not something they need to think about during the exam.

Good exam time management and adequate planning is key. Even online, learners can develop a plan to help them. If it's headed as such, it can be included in the section available for the answer and can be used by the examiner to evaluate for marks if learners run out of time.

Question 1 is a long case study where learners are asked to apply technical information to a given situation, and in a specific format. Learners are assigned a **role** and an **objective**. Their answer must be appropriate both to their assigned **role** e.g. Pension Manager, consultant etc and their **objective**, e.g. to train, to inform etc through the specified format. Question one carries 60 of the total marks available, with 48 available for demonstrating technical knowledge. Learners should note there are always more than 48 technical marks available to allow for interpretations.

Question 1:

You are the Scheme Secretary to a defined benefit pension scheme with outsourced administration. The Trustees noted the latest reported data scores for the Scheme show the Common data is fairly good, but little has been done to improve the Scheme Specific Data. The Trustees want to understand their options and how they can go about improving the data overall.

The Trustees have heard how costs can quickly escalate with data projects if not properly managed and are also concerned about the need to clearly and effectively communicate any changes which impact on their members.

They have asked you to prepare a paper for the next Trustee Meeting, your paper should:

- a) Outline their core responsibilities around data (4 marks)
- b) Explain how the Trustees can plan to ensure data is continuously improved (5 marks)
- c) Discuss some points to consider when developing the data budget (4 marks)
- d) Identify the type and certainty of costs which are likely to be incurred in the data project (5 marks)
- e) Explain the budget can help the Trustees monitor costs (8 marks)
- f) Outline how the Trustees can maintain cost control (7 marks)
- g) Provide an example of the potential components in a data cleanse project (5 marks)
- h) Explain the simple rules for effective communication (7 marks)
- i) Conclusions and any recommendations (3 marks)

(48 technical marks, 12 format/communication marks. Total 60 marks)

As a paper, the format of this question needed to follow that shown in the Communications Manual. The technical detail for this question can be found in the Governance Manual Part 1 Ch 1.1.3, 1.5.4, 2.4.2, Part 2 Ch1 1.1.4 Ch2 2.2 to 2.5 pages 3, 23, 36, 41, 59-61 & 63 and Communications Manual Ch 3, 3.2 page 36. Wider knowledge and reading was also required. This question also leaned on TPR's website and PASA Guidance/website (recommended reading in Governance Manual).

There were no outstanding papers in this sitting. Where learners didn't achieve good scores, this was often due to their answers lacking sufficient detail to be able to award more marks. There was a consistent theme where learners only identified the broad elements in the question, but didn't give details. Learners should bear in mind in a 3 hour exam, a question worth 48 marks will require significant relevant detail. When reviewing their answer, they should ask themselves whether the amount of detail they've included is capable of earning 48 marks.

This question was not simply about administration, data cleanse and continuous improvement. Learners were expected to understand how to develop a budget, particularly one where there's no historic baseline. They were expected highlight the importance of thinking about which parties would likely be involved in such a project and be able to identify the explicit and implicit costs. They were expected to think about good budget practice, such as ensuring there's clarity of cost where possible and monitoring estimates. They should also have been cognisant of how fees can change

over the duration of these types of project, so billing frequency and Terms & Conditions need to be considered. Ultimately, businesses and pension schemes budget so they can plan for future spend. Even if an end date is unknown, which is often the case when starting a data cleanse project. Budgets enable Board reporting and controls on expenditure. Learners needed to be aware that spend can require different authority levels and what to do when there are unexpected costs. They should be aware that different schemes may have different protocols, such as sponsoring employer procurement team involvement and payment systems. Clearly any data cleanse project can uncover errors which need to be corrected and therefore will impact on scheme members. Complex calculations generally need actuarial input. Often issues need legal advice as well as physical update of the member record and of course, careful member communication. Learners were asked to explain the simple rules to effective communication, these are:

- Effective communication is a two-way process. The communicator transmits the information and the reader engages with the information

- Think of the structure and purpose of the communication
- Do not include too many objectives in the letter and risk it becoming unwieldy - clearly introduce the topic and set out any action needed by the member
- Consider different groups within the membership and consider tailoring the communication for each group
- Include only what the reader needs to know
- Consider whether a table or graph can be used to summarise the information
- Use 'Plan English' principles
- Use clear, straightforward language
- Given the choice use a short word instead of a long one
- Vary the length of your sentences
- Try to avoid long sentences
- Start a new paragraph for each new idea or theme
- Use a short paragraph at the beginning of a document
- Use headings to help your reader follow the document
- Use space well. Spread the text out
- Use bullet points for clarity, but do not over use

The remaining 40 marks for the exam were gained from the three short questions. It was a pity some learners who scored well in Question 1 then failed to achieve good marks in the short answer questions and vice versa. This meant they were not able to gain sufficient marks to pass the exam. Here also questions taken from the syllabus, can be broader than the Manuals. These and topical issues cover aspects of the industry anyone working in pensions would be expected to know something about – regardless of their seniority. The marks available for these types of questions are generally technical. Question 2 was such a question. The number of marks available are given for every question, as well as the weighting of marks:

Question 2

You are the consultant to a Defined Benefit scheme with 2,000 members (400 deferred, 1,600 pensioners). The Trustees of the Scheme have asked you to provide a short update on the current position in relation to Pensions Dashboards and what they should be doing to prepare. Your update should include:

- a) Current legislative position, connection timetable and where they can get up to date information from (3 marks)
- b) What is connection? (4 marks)
- c) What should they be doing now to prepare the scheme for connection (7 marks)

(14 total marks)

This is a highly topical subject which has been widely reported by most suppliers and consultants, as well as TPR PDP and PASA websites. However it was also covered in the Governance Manual pages 23 & 24, plus links. It was therefore disappointing few learners were able to pick up good marks on such an important industry development. Some learners misinterpreted this question and simply talked about data. Given Question 1 covered data, this was not going to happen. Learners should know:

- The most recent legislative position is the DWP (amendment) Regulations 2023
- Schemes with 100 or more relevant members (active, deferred, pension credit members) at the scheme year end between 01/04/2023 and 31/03/2024 must be connected by 31/10/2026
- PDP, MaPs, TPR and PASA are all heavily involved

- Connection of the scheme data to the dashboards' ecosystem will be via a digital interface
- The interface can be built by an administrator, or software provider, but it will generally not be feasible for single trust schemes to build their own
- The interface can be provided by a 3rd party Integrated Service Provider (ISP)
- All interfaces must meet MaPs standards
- Trustees should:
 - be working through TPR's digital checklist
 - should keep dashboards on their Agendas
 - check suppliers are on track to deliver records needed eg AVC suppliers
 - understand what data will be received by dashboards and what will need to be returned
 - Assess their scheme's personal data quality and digital accessibility
 - Consider what data matching items to use (confirmed/possible matches)
 - Put in place a data improvement plan where data needs to be improved
 - Consider how value data will be calculated and if its not in line with requirements, plan to meet duties

Question 3

Discuss TPR's 21st Century Trusteeship & Governance, including:

- a) Context, background and expectations (6 marks)
- b) Why good governance was considered important and what does it need? (5 marks)
- c) The importance of the Trustee Business Plan (3 marks)

(14 total marks)

The information relevant to this question was drawn from the Governance manual Part 1, Ch1 1.2 pages 6-9. Given the information in this question was drawn directly from the manual, it was disappointing some learners were unable to provide sufficient detail for reasonable marks.

Question 4

You have been working on a complex client project with a senior colleague, who has been rushed to hospital. You have found out they are likely to be off work for some time, but the project is time critical. You know you are not qualified to complete the work without supervision and support which your manager has told you is not available. You are concerned you will not be able to complete the project to the required standard and this will impact on both the client and your career progression, but feel under pressure to try.

- a) What are the relevant sections of the Code? (3 marks)
- b) What should you do? (9 marks)

(12 total marks)

This question was based on Case Study M of the Professionalism manual.

The relevant sections of the Code were:

- 3.6 Conducting professional work with proper regard to technical and professional standards
- 3.11 Not acting in situations where you have insufficient relevant experience except in the co-operation or with the guidance of a suitably qualified/competent person

You should:

- This can only be resolved by discussing with your manager
- But you need to prepare for this discussion carefully in advance
- You need to demonstrate you understand the importance of the project (give examples)
- You need to explain why you are not qualified, but also consider why your manager has asked you and what role you could play/support you could provide to deliver the project
- You should give your manager the opportunity to explore your role in the timing your involvement may have
- Armed with the facts should help you face the pressure more confidently and aid your discussion with your manager
- Be aware the discussion may not resolve the issue, so be clear on next agreed next steps. It will be useful to take notes to reflect these back with your line manager so everyone is clear on the current position
- You may need to talk to HR