**Core Unit 1A – Understanding Retirement Provision**

**Assignment 2 Notes**

**(Part 2 – Parties Involved)**

**Recommended Time: 2 Hours**

1. **List the current statutory objectives of the Pensions Regulator.**

**5 Marks**

Your answer should cover the following:

* Promote benefits of members of workplace pensions
* Promote good administration
* Reduce risk of situations that may lead to PPF
* Maximise compliance with employer duties relation to automatic enrolment
* Minimise any adverse impact on the sustainability of the employer.

(Relevant section of the manual is Part 2 Chapter 1.1)

1. **Your pensions manager has asked you to prepare a briefing paper outlining the existing powers of the Pensions Regulator giving detail about each one.**

**20 Marks**

Your answer should be in the format of a paper and cover the following:

Investigating schemes:

* Collects data through annual scheme returns
* Reports of significant breaches from whistleblowers
* Reports of notifiable events from employers and trustees
* Pension Schemes Act 2021 aims to expand on the above and give tougher penalties
* Trustees / scheme managers to promptly notify of any significant changes
* Reports if unable to comply with funding position
* Can demand documents
* Demand certain people to attend an interview.

Putting things right:

* Action may be taken to protect member’s benefits
* Issue an improvement notice or third-party notice – specific action at certain time
* Take action on behalf of a scheme to recover unpaid contributions
* Issue a freezing order, temporarily halt all activity
* Impose a schedule of contributions
* Prohibition of trustees
* Imposition of fines
* Prosecution

Acting against avoidance:

* Employer deliberately avoiding its pension obligations, to protect member’s benefits and PPF
* Contributions notices
* Financial support directions
* Restoration orders
* Clearance procedure

(Relevant section of the manual is Part 2 Chapter 1.1.1)

1. **What was the significance of the Financial Guidance and Claims Act 2018.**

**5 Marks**

Your answer should cover the following:

* Introduced the single financial guidance body – SFGB
* Accountable to parliament
* Live on 1 January 2019
* Rebranded MAPs from 6 April 2019
* Help people improve their financial wellbeing
* Key role in delivering pensions dashboards
* Funded by levies on pension schemes and financial services industry.

(Relevant section of the manual is Part 2 Chapter 1.4)

1. **Your pension scheme is struggling financially and is considering its viable options. Please prepare a paper outlining the eligibility and compensation of the pension protection fund and how this differs from the financial assistance scheme.**

**20 Marks**

Your answer should be in the format of a paper and cover the following:

Pension Protection Fund:

* Eligibility – DB & hybrid schemes where a qualifying insolvency event occurs on or after 6 April 2005.
* Assets of the scheme are not sufficient to fully buy out the benefits otherwise payable by the PPF.
* Otherwise, scheme will have to be wound up.
* Compensation – all assets and liabilities are transferred
* 100% of accrued benefits over NPA, including ill-health & survivors
* 90% of accrued benefits subject to an overall cap
* Although cap no longer applies – Hughes ruling
* CPI indexation capped at 2.5% benefits earned after 5 April 1997
* 50% spouse’s benefit on death
* Increased benefits for long service

Financial Assistance Scheme:

* Most cases – started to wind up between 1 January 1997 and 5 April 2005, although some special circumstances cases
* Employer must be insolvent or no longer exist or a compromise agreement has been reached
* Eligibility conditions were widened to include underfunded schemes where there was no employer debt at time wind up commenced
* Compensation – similar to PPF
* 90% of their accrued pension subject to a cap
* Normally payable from NRA
* Can apply for early retirement on grounds of ill-health but only up to 5 years
* CPI increases for benefits accrued post 5 April 1997

(Relevant sections of the manual are Part 2 Chapters 1.7.1, 1.7.2, 1.8.1 & 1.8.2)

1. **List the responsibilities of the National Insurance Contributions and Employer Office.**

**10 Marks**

Your answer should cover the following:

* Compliance with National Insurance related legislation
* Collecting NI contributions
* Administering the legacy contracted-out system
* Maintaining accurate NI accounts
* Providing information about NI and enquiries
* Class 1 NI rates and thresholds
* Statutory payments
* NI statement requests
* Married women’s Reduced Rate Election
* Class 2 & 3 NI
* Employment histories.

(Relevant section of the manual is Part 2 Chapter 1.10.2)

1. **Outline the role of the Secretary to the Trustees.**

**10 Marks**

Your answer should include the following:

* Providing administrative support to the Trustees to ensure the scheme is run correctly.
* Organising trustees’ meetings, include giving notice to the trustees and preparing the agenda
* Ensuring trustees meetings are quorate and any decisions comply with the TD&Rs.
* Producing the minutes of trustees’ meetings
* Filing the annual return and overseeing the preparation of the scheme’s annual report and accounts
* Ensuring all formalities complied with – appointment / removal of trustees
* Information required by PPF provided on time each year and levy paid
* Liaising with trustees’ advisers on administrative matters.

(Relevant section of the manual is Part 2 Chapter 1.14.2)

1. **Write brief notes on why members might need an adviser.**

**10 Marks**

Your answer should include the following:

* Some occasions where members need advice
* DB scheme, the employer taking an ‘incentive exercise’
* For example, the invitation to surrender future increases for a higher but not increasing pension, transfer their benefits out of the scheme for an enhanced transfer value – reduce risk to the scheme
* DC scheme – advice may be needed when drawing benefits
* Different options at retirement and/or the best product for the chosen option.
* Statutory requirement where benefits are over £30,000 and a transfer is being used to access the new pension flexibility.
* May also obtain general advice from a number of resources – Pension Wise – free and impartial advice on DC pensions.

(Relevant section of the manual is Part 2 Chapter 1.18.6)

1. **Trustees of an occupational scheme will appoint a number of different advisers to assist them. You have been asked to draft a report explaining the importance of why a Trustee would appoint a legal adviser, an actuary and an auditor.**

**20 Marks**

Your answer should be in the format of a report (with introduction, main headings, conclusion/recommendation) and should cover the following:

Legal advisor:

* Help them in the running of their scheme
* Advise on the legal duties and responsibilities
* Advising on the legal and regulatory requirements that apply to their scheme
* Advising the trustees on the interpretation of scheme’s governing documents
* Drafting any changes to schemes TD&Rs
* Drafting documents such as recovery plans, merger agreements
* Advising on the legal aspects of corporate transactions
* Advising on any disputes.

Actuary:

* Assessing the funding position of the scheme
* Preparing the triennial actuarial valuation, interim funding reports and advising on the terms of the funding arrangements
* Advising on the methods and assumptions used to set the technical provisions
* Calculating member’s benefit entitlements – late/early/ transfer factors
* Advising the trustees on the assumptions used to calculate transfer values and any section 75 debts on the employer

Auditor:

* Audit scheme accounts
* May also advise the trustees on the adequacy of internal controls that are in place to protect scheme assets.

(Relevant sections of the manual are Part 2 Chapters 1.18.1, 1.18.3 & 1.18.4)