

EXAMINERS' REPORT - DEFINED CONTRIBUTION ARRANGEMENTS – OCTOBER 2024

Question 1

Identify the main features (12 marks) and appeal of introducing an Executive Pension Plan (8 marks).

This question was satisfactorily answered. There was no prescribed format, just identification of the main points. Candidates generally allocated their time according to the marks allocated to each section. A higher proportion of marks were obtained for the main features of an Executive Pension Plan. Candidates omitted that it could never be contracted out of any element of the state pension. An EPP can allow several employees and their insurance policies into one scheme under one set of documentation and within the EPP funds are earmarked for individual members. Under the appeal section, candidates omitted that it acts as a tax shelter for accumulating funds for retirement and for bonus payments. It provides flexible, individual tailoring of benefits to suit personal circumstances, balancing immediate cash needs with future income and capital requirements in retirement.

Question 2

A trustee has asked you as the Pensions Manager to write a detailed report discussion the main factors to consider when closing and winding up a Trust based DC Scheme Ensuring your report covers:

- a) Overview of closing and winding up a Scheme (10 marks)**
- b) Company Insolvency (5 marks)**
- c) Information during the wind-up period (5 marks)**
- d) The wind-up process (10 marks)**
- e) Bulk transfer without consent option (10 marks)**

This question was either answered extremely well or very poorly dependent upon how conversant the candidates were with the manual material. A Report was requested in the question which earned marks and this was generally adhered to. The Overview of closing and winding up a scheme was least well answered. Points omitted included that the scheme rules will have provisions dealing with scheme closures, the winding up of the scheme and the way that any assets should be distributed. Scheme rules may note the period of notice that has to be given to members of the wind-up date. Few candidates knew anything about company insolvency. Under DC type arrangements, the existing trustees may continue in place, and it is their responsibility to wind up the scheme in accordance with the scheme rules. If some of the assets are invested in the employer's

business, and the employer then becomes insolvent, the trust does not protect the market value. Information during the wind-up was well covered. The wind-up process was generally well covered except that guidance provides suggestions for good practice on administration, planning a scheme wind up and buying out annuities. The receiver or liquidator of a company can claim from the state redundancy fund any contributions that were not paid in the last 12 months of the company's existence. Under bulk transfer without consent, candidates omitted the government guidance factors to consider when taking advice from an appropriate adviser on a bulk transfer with consent exercise. Trustees should ensure that decision is consistent with their fiduciary duties and that any recommendations that they rely on should be in the best interest of members.

Question 3

You are the pensions adviser to a large company pension scheme. You have been asked by a trustee to set out

- a. The codes of Practice provided by The Pensions Regulator (12 marks)**
- b. The powers of The Pensions Regulator under the Pensions Act 2004 (8 marks)**

Draft an email in response.

This question asked for an email response which was almost universally complied with. An easy bonus mark for providing the correct format. The question overall was answered well. Candidates especially knew the codes of practice, many scoring almost full marks. Powers were included but not known to the same extent. Powers often omitted were that the Pensions Regulator could order an administrator (third party or in house) to improve the service they provide to the trustee and correct their mistakes. They can direct pension schemes how to calculate their liabilities and the contributions required. If candidates had learnt the information this was a straight forward question which was well sign posted as to the information expected.

Question 4

The scheme administrator has asked for your help in agreeing with the payroll department the means, and surrounding issues, by which data is transferred from the payroll system to the administration system. Draft an email in response.

(20 marks - including Format marks 1)

This question was again in an email format which was almost universally complied with. This question was answered the best out of the four questions. Candidates obviously fully understood the subject material and were able to apply it to the question asked. Candidates who had revised thoroughly earned respectable marks. The only common omissions were that the communication between the two parties is of paramount importance. They need to agree exactly what information will be coming across and when and who will be responsible for resolving error or discrepancies. The administrator should agree with the payroll department about the timings for receipt of the data and that it is paid on the 22nd of the month.