

Examiners' Report - Core Unit 2 – Regulation of Retirement Provision

Summary

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

In addition to commentary on the October 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 understanding exactly which parts of the Study Manuals will be examined and should therefore be learned accordingly.

Question 1

Describe the four main features of a Trust.

(8 marks)

- A few candidates performed well on this question, and therefore achieved good marks.
- A lot of candidates did not really grasp the intricacies of the 4 points and muddled up the settlor, trustees and beneficiaries.

The relevant section of the study manual: Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapter 1.1 (Page 40)

Question 2

Explain:

- (i) The impact of cessation of contracting out on defined benefit schemes **(8 marks)**, and
- (ii) The 'New Civil Penalties' that TPR can issue under the Pension Schemes Act 2021 **(7 marks)**

(15 marks)

- Part (i) was generally well answered by candidates.
- Candidates struggled with Part (ii) of the question, with most candidates only getting a mark for saying TPR can fine up to £1M

The relevant section of the study manual: Part 6 (Current issues), Chapter 1.1 (Page 142) and Chapter 4.5 (Page 158)

Question 3

List:

- (i) The key stages of any transaction, regardless of whether they are a share sale or a business sale **(4 marks)**, and
- (ii) The 3 main aspects to TPR's Anti-avoidance regime **(3 marks)**

(7 marks)

- Candidates scored highly.

The relevant section of the study manual - Part 4 (Corporate Transactions: Purchases, Sales and Mergers) Chapter 1.2 (Page 104) and Chapter 1.8.2 (115)

Question 4

Describe:

- (i) The Matrimonial Causes Act 1973 **(3 marks)**
- (ii) The Welfare Reform and Pensions Act 1999 **(4 marks)**
- (iii) The Civil Partnership Act 2004 **(4 marks)**
- (iv) The Marriage (Same Sex Couples) Act 2013 **(2 marks)**

(13 marks)

- A few candidates performed well on this question, and therefore achieved good marks.
- Most had a reasonable understanding of the impact of these statutes.

The relevant section of the study manual - Part 3 (Other Relevant Areas of Law), Chapters 2.21, 2.2.4, 2.2.5 and 2.2.6 (Page 100)

Question 5

List the circumstances where HMRC are not required to grant registration for a scheme to become a registered pension scheme.

(5 marks)

- Varying results from the candidates.
- Some candidates knew all the points whilst others either had no knowledge or completely misunderstood the question.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 1.1.3 (Page 3)

Question 6

Draft a briefing paper that covers the:

- (i) "Appointment of a Scheme's First Trustees" **(3 marks)**
- (ii) "Appointment of Subsequent Trustees" **(5 marks)**
- (iii) "Disqualification of Trustees" **(5 marks)**, and
- (iv) "Suspension of Trustees" **(7 marks)**

(20 marks)

- Some good answers but others failed to provide sufficient detail to score highly.
- For part (ii) a number wrote about member-nominated trustees, TPR-appointed trustees and the appointment of professional independent trustees.
- Not all candidates made the effort to write a briefing paper so failed to score the mark for format.

The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapters 2.2.1, 2.2.2, 2.5 and 2.6 (Pages 47, 49-50)

Question 7

List the things trustees should consider as 'Good Practice when communicating with their members'.

(7 marks)

- Well answered question by some candidates.
- Most were able to list at least some of these "good practice" points. However, some candidates listed things schemes are required to do by law (for example, SMPIs).

The relevant section of the study manual - Part 5 (Governance Requirements), Chapter 1.7.3 (Page 137)

Question 8

Draft a short note on "Adoption, Maternity, Paternity or Parental Leave and the Impact on Pension Rights."

(10 marks)

- A few candidates performed well on this question, and therefore achieved good marks.

The relevant section of the study manual: Part 3 (Other Relevant Areas of Law), Chapter 1.4.7 (Page 93)

Question 9

List The Pensions Regulator's (TPR's) key priorities for trustee pension scheme governance.

(7 marks)

- The quality of answers provided by the candidates varied.
- Some candidates were able to list nearly most of the key governance priorities, whilst other candidates were unable to identify any.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 3.2.2 (Page 24)

Question 10

Trustees should evaluate the suitability of all advisers and service providers prior to their appointment. When appointing advisers and/or service providers, there should be a clear and comprehensive contract in place setting out the terms of their appointment. List the items that should be included in the contract.

(8 marks)

- Some good answers provided.
- Most candidates were able to list a reasonable number of things that should be included in the contract.

The relevant section of the study manual - Part 5 (Governance Requirements), Chapter 1.2.7 (Page 131)

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.