

## **Sample Exam Questions**

### **Core Unit 2- Regulation of Retirement Provision**

#### **Instructions:**

- This is only a sample paper and therefore consists of 30 multiple-choice questions.
  - Choose the correct answer from the options (A, B, C, or D).
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#### **1. The Lifetime Allowance is primarily used to:**

- o A) Set a limit on tax-free pension withdrawals
- o B) Determine tax relief on employer contributions
- o C) Cap the total tax-advantaged pension savings of an individual
- o D) Calculate State Pension eligibility

#### **2. What is the primary purpose of the Pension Protection Fund (PPF)?**

- o A) To regulate all pension schemes in the UK
- o B) To set contribution rates for all pension schemes
- o C) To manage pension investments
- o D) To compensate members of defined benefit schemes if their employer becomes insolvent

#### **3. What is the primary responsibility of The Pensions Regulator (TPR)?**

- o A) Set pension ages
- o B) Oversee trust-based occupational pension schemes
- o C) Approve personal pension schemes
- o D) Issue pension tax allowances

#### **4. The annual allowance refers to:**

- o A) The minimum amount of contributions a member must make
- o B) The limit on tax-free investment returns for pensions
- o C) The upper limit of pension contributions in a year without incurring tax charges
- o D) The lifetime savings cap for pensions

**5. Which of the following are members entitled to under a registered pension scheme?**

- o A) Tax-free withdrawals after five years of contributions
- o B) Employer-guaranteed returns on investments
- o C) Lifetime tax-free pension income
- o D) Up to 25% tax-free lump sum upon retirement

**6. The 'Pension Scheme Administrator' role includes all the following EXCEPT:**

- o A) Record-keeping for scheme transactions
- o B) Calculating tax liabilities for members
- o C) Selecting investment funds
- o D) Reporting significant payments to HMRC

**7. An employee can take a tax-free pension commencement lump sum up to:**

- o A) 10% of their pension value
- o B) 50% of the annual allowance
- o C) 25% of their pension pot
- o D) 5% of contributions

**8. Which of the following correctly defines an uncrystallised funds pension lump sum?**

- o A) A flexible withdrawal where the first 25% is tax-free
- o B) A full withdrawal with no tax
- o C) A mandatory annuity purchase
- o D) A transfer to another scheme

**9. The Tapered Annual Allowance adjusts the annual allowance based on:**

- o A) National Insurance contributions
- o B) A member's marginal tax rate
- o C) The member's adjusted income
- o D) The scheme's performance

**10. Which of the following best describes a Defined Contribution (DC) scheme?**

- o A) Benefits are based on final salary
- o B) Employer contributions only
- o C) Benefits depend on contributions and investment performance
- o D) Guaranteed minimum returns

**11. What is the purpose of the Money Purchase Annual Allowance (MPAA)?**

- o A) To set a higher contribution limit for defined contribution schemes
- o B) To limit contributions after flexible pension access
- o C) To allow higher tax-free contributions
- o D) To provide lifetime tax relief on pension savings

**12. Trust-based pension schemes in the UK are required to be established under:**

- o A) Contract law
- o B) Company law
- o C) Trust law
- o D) Employment law

**13. Which concept primarily aims to protect consumers against misleading information from pension providers?**

- o A) Automatic enrolment
- o B) Treating Customers Fairly (TCF)
- o C) Lifetime Allowance protection
- o D) Pensions Liberation Schemes

**14. Which type of pension scheme is most affected by fluctuations in investment performance?**

- o A) Defined Benefit
- o B) Defined Contribution
- o C) State Pension
- o D) Occupational Defined Benefit

**15. The Lifetime Allowance cap for pensions was abolished from:**

- o A) April 2016
- o B) April 2023
- o C) April 2022
- o D) April 2024

**16. Pension scams, or 'pensions liberation,' involve schemes that:**

- o A) Guarantee fixed income for retirees
- o B) Provide early access to pension funds, often illegally
- o C) Offer government-backed pension support
- o D) Convert pensions into State pensions

**17. Which of these is a key feature of the Pensions Dashboard?**

- o A) Provides access to all pension records in one place
- o B) Sets pension tax rates
- o C) Manages investments on behalf of retirees
- o D) Limits contributions across multiple pensions

**18. Which payment from a registered pension scheme would be unauthorised?**

- o A) Tax-free lump sum at retirement
- o B) Transfer to a QROPS
- o C) Survivor's benefits
- o D) Personal expense withdrawal

**19. Which of these pension scheme events is typically notifiable to The Pensions Regulator?**

- o A) Major amendments to scheme rules
- o B) Change in State Pension Age
- o C) Employee promotions
- o D) Annual benefit statements

**20. In which situation is the Money Purchase Annual Allowance triggered?**

- o A) Taking a defined benefit pension
- o B) Withdrawing a flexi-access drawdown amount
- o C) Converting a DB pension to DC
- o D) Transferring to another scheme

**21. Tax relief on pension contributions is granted on which basis?**

- o A) Basic rate only
- o B) At the individual's marginal tax rate
- o C) 5% of contributions
- o D) Regardless of income

**22. A tax charge occurs if a pension fund value exceeds the:**

- o A) Annual Allowance
- o B) Tapered Allowance
- o C) Lifetime Allowance
- o D) Nil-rate band

**23. The Annual Allowance is primarily:**

- o A) A cap on annual tax-free withdrawals
- o B) Based on scheme performance
- o C) A mandatory contribution level
- o D) A limit on tax-relieved pension contributions per year

**24. The Pension Protection Fund (PPF) was established primarily to:**

- o A) Provide insurance against low returns on pension investments
- o B) Protect pension benefits when an employer becomes insolvent
- o C) Offer retirement guidance to pension scheme members
- o D) Set contribution rates for employers

**25. An unauthorised payment from a pension scheme generally results in:**

- o A) A tax charge on the Scheme Administrator and/or the member
- o B) No consequences if the payment is under a certain amount
- o C) The suspension of scheme benefits for one year
- o D) An automatic transfer of funds to HMRC

**26. Which of the following is required for a pension scheme to be registered with HMRC?**

- o A) The Scheme Administrator must be a UK or EU resident
- o B) The scheme must invest only in UK-based assets
- o C) The scheme must pay out benefits solely as annuities
- o D) Contributions must be limited to employer contributions

**27. A "Scheme Pays" arrangement allows:**

- o A) The scheme to cover a member's annual allowance tax charge on request
- o B) Members to receive additional benefits at retirement
- o C) The employer to make all contributions on behalf of the employee
- o D) Tax-free transfers to other pension schemes

**28. For trust-based schemes, investment powers are:**

- o A) Delegated only to members of the scheme
- o B) Limited to government bonds
- o C) Set solely by the employer's investment committee
- o D) Defined within the scheme's trust deed and rules

**29. Which body was established in response to the Maxwell scandal to oversee pension scheme protections?**

- o A) The Pensions Regulator (TPR)
- o B) The Financial Conduct Authority (FCA)
- o C) The Department for Work and Pensions (DWP)

- o D) HM Revenue & Customs (HMRC)

**30. In which document would a pension scheme's investment strategy and risk approach typically be outlined?**

- o A) Annual Report
- o B) Scheme Administrator Agreement
- o C) Pension Protection Notice
- o D) Statement of Investment Principles (SIP)

#### ANSWER KEY

**1. The Lifetime Allowance is primarily used to:**

- o A) Set a limit on tax-free pension withdrawals
- o B) Determine tax relief on employer contributions
- o C) Cap the total tax-advantaged pension savings of an individual
- o D) Calculate State Pension eligibility

o Answer: C

**2. What is the primary purpose of the Pension Protection Fund (PPF)?**

- o A) To regulate all pension schemes in the UK
- o B) To set contribution rates for all pension schemes
- o C) To manage pension investments
- o D) To compensate members of defined benefit schemes if their employer becomes insolvent

o Answer: D

**3. What is the primary responsibility of The Pensions Regulator (TPR)?**

- o A) Set pension ages
- o B) Oversee trust-based occupational pension schemes
- o C) Approve personal pension schemes
- o D) Issue pension tax allowances

o Answer: B

**4. The annual allowance refers to:**

- o A) The minimum amount of contributions a member must make
- o B) The limit on tax-free investment returns for pensions
- o C) The upper limit of pension contributions in a year without incurring tax charges
- o D) The lifetime savings cap for pensions

**o Answer: C**

**5. Which of the following are members entitled to under a registered pension scheme?**

- o A) Tax-free withdrawals after five years of contributions
- o B) Employer-guaranteed returns on investments
- o C) Lifetime tax-free pension income
- o D) Up to 25% tax-free lump sum upon retirement

**o Answer: D**

**6. The 'Pension Scheme Administrator' role includes all the following EXCEPT:**

- o A) Record-keeping for scheme transactions
- o B) Calculating tax liabilities for members
- o C) Selecting investment funds
- o D) Reporting significant payments to HMRC

**o Answer: C**

**7. An employee can take a tax-free pension commencement lump sum up to:**

- o A) 10% of their pension value
- o B) 50% of the annual allowance
- o C) 25% of their pension pot
- o D) 5% of contributions

**o Answer: C**

**8. Which of the following correctly defines an uncrystallised funds pension lump sum?**



- o A) A flexible withdrawal where the first 25% is tax-free
- o B) A full withdrawal with no tax
- o C) A mandatory annuity purchase
- o D) A transfer to another scheme

o Answer: A

**9. The Tapered Annual Allowance adjusts the annual allowance based on:**

- o A) National Insurance contributions
- o B) A member's marginal tax rate
- o C) The member's adjusted income
- o D) The scheme's performance

o Answer: C

**10. Which of the following best describes a Defined Contribution (DC) scheme?**

- o A) Benefits are based on final salary
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- o C) Benefits depend on contributions and investment performance
- o D) Guaranteed minimum returns

o Answer: C

**11. What is the purpose of the Money Purchase Annual Allowance (MPAA)?**

- o A) To set a higher contribution limit for defined contribution schemes
- o B) To limit contributions after flexible pension access
- o C) To allow higher tax-free contributions
- o D) To provide lifetime tax relief on pension savings

o Answer: B

**12. Trust-based pension schemes in the UK are required to be established under:**

- o A) Contract law
- o B) Company law
- o C) Trust law
- o D) Employment law

**o Answer: C**

**13. Which concept primarily aims to protect consumers against misleading information from pension providers?**

- ☐ A) Automatic enrolment
- ☐ B) Treating Customers Fairly (TCF)
- ☐ C) Lifetime Allowance protection
- ☐ D) Pensions Liberation Schemes

**o Answer: B**

**14. Which type of pension scheme is most affected by fluctuations in investment performance?**

- ☐ A) Defined Benefit
- ☐ B) Defined Contribution
- ☐ C) State Pension
- ☐ D) Occupational Defined Benefit

**o Answer: B**

**15. The Lifetime Allowance cap for pensions was abolished from:**

- ☐ A) April 2016
- ☐ B) April 2023
- ☐ C) April 2022
- ☐ D) April 2024

**o Answer: D**

**16. Pension scams, or 'pensions liberation,' involve schemes that:**

- ☐ A) Guarantee fixed income for retirees
- ☐ B) Provide early access to pension funds, often illegally
- ☐ C) Offer government-backed pension support
- ☐ D) Convert pensions into State pensions

**o Answer: B**

**17. Which of these is a key feature of the Pensions Dashboard?**

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- o C) Manages investments on behalf of retirees
- o D) Limits contributions across multiple pensions

o Answer: A

**18. Which payment from a registered pension scheme would be unauthorised?**

- o A) Tax-free lump sum at retirement
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- o C) Survivor's benefits
- o D) Personal expense withdrawal

o Answer: D

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- o B) Change in State Pension Age
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o Answer: A

**20. In which situation is the Money Purchase Annual Allowance triggered?**

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- o C) Converting a DB pension to DC
- o D) Transferring to another scheme

o Answer: B

**21. Tax relief on pension contributions is granted on which basis?**

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- o B) At the individual's marginal tax rate
- o C) 5% of contributions
- o D) Regardless of income

o Answer: B

**22. A tax charge occurs if a pension fund value exceeds the:**

- o A) Annual Allowance
- o B) Tapered Allowance
- o C) Lifetime Allowance
- o D) Nil-rate band

o Answer: C

**23. The Annual Allowance is primarily:**

- o A) A cap on annual tax-free withdrawals
- o B) Based on scheme performance
- o C) A mandatory contribution level
- o D) A limit on tax-relieved pension contributions per year

o Answer: D

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- o C) Offer retirement guidance to pension scheme members
- o D) Set contribution rates for employers

o Answer: B

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o D) An automatic transfer of funds to HMRC

o Answer: A

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o C) The scheme must pay out benefits solely as annuities

o D) Contributions must be limited to employer contributions

o Answer: A

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o A) The scheme to cover a member's annual allowance tax charge on request

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o C) The employer to make all contributions on behalf of the employee

o D) Tax-free transfers to other pension schemes

o Answer: A

**28. For trust-based schemes, investment powers are:**

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o D) Defined within the scheme's trust deed and rules

o Answer: D

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o C) The Department for Work and Pensions (DWP)

o D) HM Revenue & Customs (HMRC)

o Answer: A

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- o C) Pension Protection Notice
- o D) Statement of Investment Principles (SIP)

o Answer: D