

Sample Exam Questions

Core Unit 3 -Running a Workplace Pension Scheme

Instructions:

- This is only a sample paper and therefore consists of 30 multiple-choice questions.
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1. In a trust-based workplace pension scheme, the data controller is:

- A) The trustees
- B) The administrator
- C) The employer
- D) The provider of the scheme's administration system software

2. Middleware in pension systems is primarily used to:

- A) Directly manage member investments
- B) Automate data exchange between payroll and pension systems
- C) Increase employer contributions automatically
- D) Restrict pension payments to active members

3. The main advantage of real-time data access for pension members is that it:

- A) Allows immediate updates and transparency for members
- B) Reduces the frequency of pension reports
- C) Lowers employer contributions
- D) Simplifies administrator duties exclusively

4. "Straight Through Processing" primarily benefits pension schemes by:

- A) Eliminating fees for transactions
- B) Providing a platform for processing employer contributions
- C) Maximizing pension fund returns
- D) Reducing human error in data processing

5. The term "staging date" in relation to automatic enrolment refers to:

- A) When a new employee becomes eligible for enrolment
- B) The employer's official start date for automatic enrolment duties
- C) The date members start receiving retirement benefits
- D) The date the scheme reaches a specific size threshold

6. **Automatic enrolment legislation, Entitled Workers are:**
- A) Automatically enrolled into a qualifying scheme
 - B) Given the opportunity to opt into a qualifying pension scheme
 - C) Automatically enrolled into a separate non-qualifying scheme
 - D) Only entitled to join a scheme at the discretion of the employer
7. **The Pensions Regulator's Single Code of Practice introduced new requirements for trustees to:**
- A) Ensure at least one third of the trustee body be member-nominated
 - B) Report material contribution payment failures
 - C) Establish and maintain an effective system of governance
 - D) Establish legally compliant internal controls
8. **The options available to an active member who leaves pensionable service in a DB scheme after 3 years' pensionable service include:**
- A) A deferred benefit, payable on attaining their normal pension age
 - B) A deferred benefit, payable immediately
 - C) A refund of any contributions they have paid to the scheme
 - D) A transfer to another pension arrangement provided the option to transfer is taken up by the member within 3 months of leaving the scheme
9. **Under the Occupational Pension Schemes (Preservation of Benefits) Regulations 1991/167, for members of a DB scheme who leave pensionable service:**
- A) A statement of their transfer value must be automatically provided
 - B) Any GMP benefits must be revalued at a fixed rate per annum
 - C) Benefits in excess of GMP must be revalued using the Consumer Price Index
 - D) Details of their rights and options under the Scheme must be provided within 2 months
10. **When deferred benefits are transferred to a Qualified Recognised Overseas Pension Scheme (QROPS) :**
- A) The transfer is made on a discretionary basis
 - B) An Overseas Transfer Charge is applied to the full transfer value
 - C) The member has a statutory right to transfer their benefits

- D) The amount of the transfer value must not exceed the member's Overseas Transfer Allowance

11. The Pensions Regulator gathers information about benefits transferred out of schemes through:

- A) The Scheme Return
- B) An Event Report
- C) An Accounting for Tax Return
- D) Notifications from the Scheme Administrator

12. In a Defined Contribution (DC) scheme, the final value of the member's pension fund at retirement depends on:

- A) The member's age and the cost of purchasing an annuity
- B) The contributions paid in and the fund's investment performance
- C) A pre-determined formula relating to length of service and salary
- D) The retirement option the member selects at retirement

13. Which of the following retirement options does not attract the payment of tax?

- A) Uncrystallised Funds Pension Lump Sum
- B) Flexi-access Drawdown
- C) Pension Commencement Lump Sum
- D) Trivial Commutation Lump Sum

14. The benefits due on the death of a member in retirement are always paid:

- A) In accordance with the Scheme Rules
- B) To the member's next of kin
- C) To recipients selected at the discretion of the trustees
- D) To the person(s) nominated by the deceased member

15. Pension sharing on divorce was introduced by:

- A) The Pensions Act 1995
- B) The Pensions Regulator
- C) The Welfare Reform and Pensions Act 1999
- D) HMRC

16. **Reporting material breaches of law of material significance to the Pensions Regulator is a primary function of which trustee-appointed adviser:**

- A) Scheme Actuary
- B) Legal Adviser
- C) Investment Consultant
- D) Auditor

17. **Benefit Statements must be provided to members of DC schemes:**

- A) Automatically, within a reasonable period after the scheme year end
- B) Automatically within 12 months of the scheme year end
- C) Only upon request from a member, within 3 months of the request
- D) Only upon request from a member, within 31 days of the request

18. **The Annual Allowance is the upper threshold, in a tax year for;**

- A) The amount of new pension savings an individual can accrue
- B) The amount of tax relief an individual can receive
- C) The amount an employer can pay into an employee's pension scheme
- D) The amount of Additional Voluntary Contributions a member can pay

19. **Under a "Voluntary Scheme Pays" arrangement:**

- A) Both the Scheme Administrator and the member have a joint and several liability for the Annual allowance tax charge
- B) The member has satisfied all of the conditions required to have the scheme pay the tax charge
- C) The liability for the Annual allowance tax charge remains solely with the member
- D) Both the standard Annual Allowance & Tapered Annual Allowance are tested

20. **With effect from 6 April 2024, which of the following benefits is considered to be a Relevant Benefit Crystallisation Event:**

- A) Annual pension paid at Normal Retirement Age
- B) Transfer of benefits to another pension arrangement
- C) Pension Commencement Lump Sum

- D) Payment of a spouse pension upon the death of a member
21. **An individual who wanted to protect accrued benefits of £1.5m as at 5 April 2014 and continue to accrue DB benefits or pay DC contributions could apply for:**
- A) Enhanced Protection
 - B) Individual Protection 2014
 - C) Primary Protection
 - D) Fixed Protection 2014
22. **The requirement for trustees of occupational pension schemes to open and maintain a trustee bank account is:**
- A) Imposed by the Scheme Auditor
 - B) To enable the Scheme administrator to pay benefits
 - C) Mandated by the Pensions Regulator
 - D) A statutory requirement
23. **Circumstances where a failure to pay contributions to the trustee bank account within the agreed timescales is not deemed to be of material significance include:**
- A) Contributions were paid 30 days after the deadline for payment
 - B) The failure to pay involves a misuse of contributions
 - C) Contributions have been outstanding for 90 days or more
 - D) There is reasonable cause to believe the employer is not willing to pay the contributions
24. **A Statement of Recommended Practice is not required for:**
- A) Fully insured schemes
 - B) Schemes in wind up
 - C) Occupational DB and DC schemes
 - D) Unfunded Schemes
25. **Pension benefits which are not subject to statutory minimum increases once in payment include:**
- A) Pension in excess of GMP accrued between 6 April 1997 & 5 April 2005

- B) Pension in excess of GMP accrued prior to 6 April 1997
- C) Pension in excess of GMP accrued after 5 April 2005
- D) GMP benefits accrued between 6 April 1988 and 5 April 1997

26. Trustees have a duty to recover benefits overpaid to beneficiaries because:

- A) Their legal advisers will advise them to do so
- B) HMRC regulations require them to do so
- C) They must act in the best interests of all members
- D) The overpayment was identified more than six years ago

27. If an employee is transferred overseas for a period of less than 5 years:

- A) They cannot remain a member of a UK pension scheme
- B) They can continue to make contributions to a UK scheme but do not qualify for tax relief on the contributions
- C) There are no changes to the tax treatment as they will return to the UK
- D) They can continue to contribute to the scheme but can only receive tax relief if they meet the definition of a "relevant UK individual" for tax purposes

28. A notice of wind up sent to members by the trustees would not typically include:

- A) A name and address for further enquiries
- B) A statement to active members regarding the continuation of death benefits
- C) The reasons the scheme is being wound up
- D) The estimated date when final details of members' benefits will be known

29. Since 6 April 2005, the protection of members' benefits in defined benefit schemes where the sponsoring employer becomes insolvent is provided by:

- A) Pension in excess of GMP accrued between 6 April 1997 & 5 April 2005
- B) The Pensions Regulator
- C) Pension in excess of GMP accrued after 5 April 2005
- D) The Pensions Ombudsman

30. Which of the following is true in relation the Equalisation of GMPs:

- A) Trustees can choose the method of equalisation most appropriate for their scheme

- B) Trustees must obtain the consent of the employer regardless of the method of equalisation they choose
- C) Interest must be applied where benefits are uplifted as a result of equalisation
- D) The Pensions Regulator has issued guidance on rectification, data, method and member communications

ANSWER KEY

1. 1.In a trust-based workplace pension scheme, the data controller is:

- a. A) The trustees
- b. B) The administrator
- c. C) The employer
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Answer: A

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Answer: B

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Answer: A

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Answer: D

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- c. C) The date members start receiving retirement benefits
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Answer: B

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Answer: B

7. The Pensions Regulator's Single Code of Practice introduced new requirements for trustees to:

- a. A) Ensure at least one third of the trustee body be member-nominated
- b. B) Report material contribution payment failures
- c. C) Establish and maintain an effective system of governance
- d. D) Establish legally compliant internal controls

Answer: C

8. The options available to an active member who leaves pensionable service in a DB scheme after 3 years' pensionable service include:

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Answer: A

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Answer: D

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Answer: C

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Answer: B

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Answer: C

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Answer: A

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Answer: C

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Answer: C

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Answer: D

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Answer: A