

Examiners' Report - Reward and Retirement Provision – April 2025

The paper comprised of five questions, one of 35 marks, one of 20 marks and three of 15 marks each.

Questions 1 to 4 included formatting marks – many students gained valuable points here.

Question 1

You are the newly appointed HR Manager of a large manufacturing company with a diverse workforce. A large proportion of the workforce which is made up of men and women are either paid the National Minimum Wage (NMW) or the National Living Wage (NLW).

You wish to ensure the Company complies with relevant aspects of employment law and have therefore asked your benefit consultants to prepare a report which covers the following:

- The definition of a 'worker' under employment law
- The types of workers entitled to receive pay at least to the level of NMW
- The introduction by the Government of the NLW
- The current levels of NMW and NLW at April 2024
- The included and excluded elements of NMW and NLW

20 marks

- The evolution of Equal Pay Legislation

12 marks

(There are also 3 formatting marks available)

(Total 35 marks)

This question carried 35 marks and the answer was to be in the format of a report.

The question related to the introduction of the National Minimum Wage and National Living Wage and the current levels at April 2024 and required an overview of how equal pay legislation had evolved.

There were some very good answers with most points being covered. Points omitted included:

- Initial rates of NLW compared to the then prevailing NMW
- The rates to which apprentices are entitled to receive
- Definition of working time – inclusion of overtime but travelling time between home and work is excluded.

The section on the evolution of Equal Pay Legislation was well answered.

The relevant section of the Tuition Manual was Section 1, Chapter 1 – 1.2.1 – 1.2.3.

Question 2

When considering employee benefit strategy there are numerous guiding principles for the employer to take into account. One principle is to consider employee demographic and segments.

Write a briefing paper identifying the demographics that should be included and how different employees may value different elements of reward. You are not required to include any examples of pay and benefit structures.

(20 marks)
(Including 2 formatting marks)

This question carried 20 marks and the answer was to be written as a paper.

The question related to employee benefit strategy and the identification of different demographics. There were some good answers, but a number of learners failed to provide several points requested. These included:

- How different types of employees value different elements of reward
- Employees over 40 typically value pension, life and medical insurance, whereas younger employees typically value cash above all
- How socio-economic grouping tends to influence attitudes towards benefits
- The effect of Trade Union membership
- The cultural/racial origin of workers can influence their attitude of towards total remuneration

The relevant section of the Tuition Manual was Section 1, Chapter 2 – 2.2.2.

Question 3

In the unfortunate event that a member of an defined benefit pension scheme is forced to leave employment and retire early on the grounds of ill health, it is usual in these circumstances for employers and scheme trustees to enable payment of ill health pension benefits.

Write a summary identifying:

- **the factors that must be taken into account in accessing the member's incapacity**
- **benefit options available**
- **processes to be followed in assessing any tax liability due on the benefits**

(15 marks)
(Including 1 formatting mark)

This question carried 20 marks and the answer was to be written as a summary.

The question related to leaving employment and taking retirement on ill health grounds.

The question was well answered with students gaining high marks. Points omitted by some learners included:

- Clearly defining Ill health early retirement
- A mere decline in ability or energy not sufficient justification for ill health early retirement
- Schemes will typically have different levels of pension payable depending on severity of incapacity

The relevant section of the Tuition Manual was Section 2, Chapter 1 – 1.5.

Question 4

You are the Benefits Manager for a medium sized company wishing to establish a private medical insurance scheme for your employees. Write an email to the Finance Director that contrasts the differences between Fully Insured and Cost Plus bases of funding the proposed scheme.

(15 marks)

(Including 1 formatting mark)

This question carried 15 marks and the answer was to be written as an email.

The question related to private medical insurance schemes and requested the differences in funding between Fully Insured and Cost Plus bases.

In general the question was not well answered; some of the points omitted included:

- Under Fully Insured – how future years premiums were calculated, ie. weighted towards the current year's claims performance to better understand likely future requirements
- Under With Profit – the main point omitted related to some insurers will only pay profit share if scheme renews with them.
- Under Cost Plus - the one point missed related to stop loss whereby the insured will only be liable for the cost of claims up to an agreed level during the contract year.

The relevant section of the Tuition Manual was Section 2, Chapter 2.2.2.

Question 5

Your company is evaluating whether to establish a Share Incentive Plan.

Set out the four share mechanisms that could be utilised under such a plan together with the associated employee participation and tax considerations.

(15 marks)

This question carried 15 marks, there were no format marks.

The question related to the possible establishment of a Share Incentive Plan and learners were asked to set out the four share mechanisms which could be utilised together with associated employee participation and tax considerations.

The question was well answered with some good marks being attained. Definitions of the four share types was very well answered. Points omitted included:

- There are special provisions for retirees and other similar circumstances
- The Plan could extend to subsidiary companies of the Group whose shares are being used
- Employer can set a qualifying period of employment for free and matching shares, not exceeding 18 months
- Participation is voluntary
- Employees can decline free shares or choose not to purchase partnership shares.

The relevant section of the Tuition Manual was Section 3, Chapter 1.4.