Core Unit 1A – Understanding Retirement Provision

Instructions:

- This is only a sample paper and therefore consists of 40 multiple-choice questions.
- This provides an indication of the typical mix and style of questions across the exam paper. **Please note, this is only a guide and therefore the actual balance of questions in the live exam paper may vary.**
- Choose the correct answer from the options (A, B, C, or D).

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1. **What was the first type of occupational pension scheme set up?**

   A) 'Pay as you go' funded system
   B) Fully funded system
   C) 'Pay as you go' unfunded system
   D) Partially funded system

2. **What was the main reason to introduce the Finance Act 2004?**

   A) To create a more complex pension system
   B) Consolidate and simplify the existing tax legislation
   C) To create a tax haven for pensions
   D) To increase the tax applied to pensions

3. **Which Pensions Act introduced a universal flat-rate pension?**

   A) The Pensions Act 2014
   B) The Pensions Act 2012
   C) The pensions Act 2013
   D) The pensions Act 2011

4. **How often must a 'summary funding statement' be provided to all members?**

   A) Annually
   B) Monthly
   C) On request
   D) Quarterly

5. **What's the main purpose for the pension advice allowance?**

   A) To allow all members to take £500 tax-free to redeem against financial advice
   B) To allow money purchase members an unlimited amount of tax-free cash to redeem against financial advice
   C) To allow all members to receive a sum of £500 for help towards the costs of financial advice
   D) To allow money purchase members to take £500 tax-free to redeem against financial advice

6. A new tax exemption was introduced from 6 April 2017 which was...

A) To exempt income tax and NI for all costs towards pension advice
B) To exempt income tax and NI for the first £1000 worth of pensions advice
C) To exempt income tax and NI for the first £250 worth of pensions advice
D) To exempt income tax and NI for the first £500 worth of pensions advice

7. What was the main intention behind introducing the pensions dashboard?

A) Alerts members if they have benefits that they are unaware of
B) A service which notified members of their retirement benefits
C) Having member's pension information all in one place
D) To help improve member engagement and make it easier to plan for retirement

8. A contribution notice can be issued by the TPR in which type of scenario?

A) A deliberate attempt to avoid a statutory debt
B) A transaction involving the scheme's assets to be undervalued
C) The sponsoring employer is insufficiently resourced
D) To enhance member's benefits

9. How much does the Pensions Ombudsman charge to review a case?

A) No charge, it is funded by grant-in-aid paid by the DWP
B) A £250 charge to the recipient if the case is dismissed
C) A £250 charge to the pension company if the case is upheld
D) A £250 charge for all cases referred

10. A consumer-facing service provided by MaPs was created in June 2021, what was it called?

A) Money and Advice Helper
B) AdviceHelper
C) MoneyAdvice
D) MoneyHelper

11. What is the maximum compensation that the Financial Ombudsman can award?

A) £100,000
B) £150,000
C) Unlimited
D) £1,000,000

12. Which schemes are protected by the Pension Protection Fund?

A) All schemes
B) DB and hybrid schemes
C) DC schemes
D) DB only schemes

13. What does GAA stand for?

A) Governance Advisory Arrangement
B) Governance Advisory Authority
C) Government Authority Arrangement
D) Government Actuary Adviser

14. Where SPA is after 5 April 2016, members can receive higher weekly payments if…

A) The individual defers for at least 7 weeks
B) The individuals defers for at least 10 weeks
C) The individual defers for at least 9 weeks
D) The individual defers for at least 5 weeks

15. Which of the following ceased contracting out from 6 April 2016?

A) Contracted Out Money Purchase Scheme
B) Contracted Out Mixed Benefit Scheme
C) Contracted Out Salary Related Scheme
D) Appropriate pension scheme

16. What did the Pension Credit replace on 6 October 2023?

A) The Minimum Income Guarantee
B) The Guarantee Credit
C) The Savings Credit
D) The Basic State Pension

17.How many qualifying years are required to obtain the full new State Pension?

A) 35
B) 36
C) 37
D) 38

18. How much do you receive for the last 33 weeks of Statutory Maternity Pay?

A) The lower of £184.03 per week or 90% of average earnings
B) 90% of average earnings per week
C) Flat rate of £184.03 per week
D) Flat rate of £250.04 per week

19 When was Statutory Parental Bereavement Leave introduced?

A) 6 April 2021
B) Same time as Statutory Maternity Leave was introduced
C) 6 April 2020
D) Same time as Statutory Adoption Leave was introduced

20 Who is Universal Credit intended for?

A) For people looking for work or on low income
B) For people out of work and have no income
C) For people that are working but do not have enough to cover all household bills
D) For people who look after children or dependants

21. What is the maximum period short-term incapacity benefit can be paid?

A) There is no maximum period
B) Maximum of 28 weeks
C) Maximum of 20 weeks but could be extended upon review
D) Maximum of 33 weeks

22. Which legislation introduced a charge cap on member's funds in a default arrangement in a DC qualifying scheme?

A) The Pensions Act 2008
B) The Pensions Act 2007
C) The Finance Act 2011
D) The Pensions Act 2014

23. What is the main principle behind the Pension Schemes Act 1993?

A) Funding and administration
B) Automatic enrolment
C) Claims and compensation
D) Protection for early leavers

24. What was regulated firms operating workplace personal pension schemes required to do from 6 April 2015?

A) Establish and maintain an Independent Governance Committee
B) Establish and maintain a Trustee Committee
C) Establish and maintain a Management Committee
D) Match employees' pension contributions

25. What was the main purpose for introducing SIPPs?

A) To give members a greater variety of saving options
B) To make it easier for members to control their own pension fund investment
C) More cost-efficient option for members
D) Gave members less control over their pension savings

26. How are cash balance pension schemes similar to defined contribution pension schemes?

A) The cash pot at retirement is defined
B) The cash pot is not reliant on investment returns
C) The amount of pension the member will receive is unknown
D) The amount of pension is defined from a formula

27. What is the aim behind Liability Driven Investment?

A) For the investment strategy to incorporate high and low risk investments to cover liabilities of the scheme
B) For the investment strategy to incorporate high risk investments to cover all scheme liabilities
C) For the investment strategy to match the risk characteristics of the investments to those of the liabilities
D) For the investment strategy to maintain low risk investments to given greater protection to member's funds

28. What does EFRBS stand for?

A) Employer Financed Retirement Benefit Schemes
B) Employee Financed Retirement Benefit Schemes
C) Employer Funded Retirement Benefit Schemes
D) Employee Funded Retirement Benefit Schemes

29. Which of the following is <u>NOT</u> a de-risking strategy?

A) Insurance type solutions such as buy-out
B) Bonus addition exercise
C) Enhanced transfer value exercise
D) Pension increase exchange exercise

30. Which of the following relates to SSAS arrangements?

A) An occupational pension scheme set up for a large multi-company business
B) A contract-based pension scheme set up for a small number of employees
C) A personal pension scheme set up for a small number of members
D) Trust-based occupational pension scheme set up for a small number of employees

31. What is the primary fiscal rationale for a government to implement tax incentives and legislative mandates that encourage private pension saving?

A) To reduce long term dependency on State funded social security and manage the future sustainability of public budgets.

B)To increase the administrative complexity of the retirement landscape to discourage early withdrawal of assets.

C. To artificially stimulate the employment rate by increasing the costs associated with hiring older workers.

D. To maximise immediate payroll tax revenue to fund short term infrastructure projects throughout the country.

Correct Answer: A

32. In the context of holistic retirement planning which best evaluates the primary objective of a long term capital accumulation strategy for an individual?

A. To secure a sustainable level of income replacement that maintains a desired standard of living post employment.
B. To maximise short term overtime payments and immediate discretionary spending power during the early career phase.
C. To act as a primary vehicle for the replacement of comprehensive workplace health and life insurance benefits.
D. To satisfy the minimum capital requirements for mortgage applications during the period of active employment.

33. From a portfolio construction perspective why are public equities typically categorised as a suitable core holding for younger members with a long term horizon?

A. Because the extended timeframe allows the member to absorb short term market volatility in pursuit of higher long term growth.

B. Because equities provide a regulatory guarantee of positive real returns over any five year rolling period in the UK.

C. Because the high liquidity of equity markets removes the underlying volatility associated with the accumulation phase of saving.

D. Because high equity performance eliminates the statutory requirement for ongoing employee or employer contributions to the pot.

34. When evaluating the statutory duties of The Pensions Regulator which objective best summarises its mandate regarding the protection of retirement outcomes?

A. To intervene in the commercial market to set standardised annuity rates for the insurance industry to ensure fairness.

B. To manage the periodic indexation and fiscal sustainability of the State Pension triple lock mechanism for all UK citizens.

C. To mandate specific investment returns for Defined Contribution default funds to match or exceed the rate of inflation.

D. To mitigate the risk of benefit loss and promote the high standards of internal governance required by the Codes of Practice.

Correct Answer: D

35. What is the primary governance function of the annual Chair Statement within the context of occupational Defined Contribution schemes?

A. To provide a public facing audit of how the trustee board has satisfied quality standards including value for members.

B. To serve as a platform for trustees to outline and lobby for changes to national government pension policy and regulations.

C. To act as the official announcement of annual investment returns for the purpose of tax free capital distribution to members.

D. To establish the binding annual contribution rates for the subsequent fiscal year for all participating employers in the scheme.

36. What advantage does using a Principal Private Residence compared to Buy to Let as a means to providing further income in retirement?
A) It provides a known, pre-agreed income
B) The asset is easier to sell or exchange
C) Any increase in the property value is not subject to Capital Gains Tax
D) Governments levy lower stamp duty

37. When calculating the present value of scheme future benefit obligations which actuarial variable typically has the most significant mathematical sensitivity?

A. The current market valuation and credit rating of the sponsoring employer parent company within the global financial markets.

B. The discount rate assumptions utilised to capitalise future cash flows into a single current day value for the purpose of valuation.

C. The gross headcount of active employees currently contributing to the scheme future accruals through their regular monthly salary.

D. The average non pensionable salary and bonus levels across the eligible workforce that do not count toward final pension benefits.

38. In the context of the UK scheme specific funding regime how is the term technical provisions best defined as an indicator of financial health?

A. The annual operational budget set aside for the payment of trustee remuneration and third party professional advisory fees.

B. The total pool of liquid assets reserved exclusively for the processing of contribution refunds to short service scheme leavers.

C. The amount of assets required today to meet future benefit payments already earned by members based on prudent assumptions.

D. The statutory minimum provision required to cover discretionary future pension increases beyond the standard inflationary cap.

39. Which of the following scenarios would lead to a structural improvement in a Defined Benefit scheme funding ratio between formal valuation dates?

A. The realisation of investment returns that exceed the best estimate assumptions previously set by the scheme actuary.

B. An unexpected increase in the projected life expectancy of the membership requiring longer pension payment durations for all.

C. A strategic reduction in the employer deficit repair contributions to facilitate corporate capital expenditure elsewhere.

D. A significant rise in realised inflation above the caps utilised for the indexation of pensions currently in payment to retirees.

40. From a retirement planning perspective which combination of factors constitutes the most critical readiness assessment for a member contemplating retirement?

A. The projected short term volatility of global equity markets and the historical performance of the scheme default investment fund.

B. The adequacy of projected net income to meet lifestyle expenditures and the long term affordability of the chosen decumulation strategy.

C. The current corporate reputation of the sponsoring employer and the prevailing trends in the local labour market for older workers.

D. The current level of the member pensionable salary relative to the statutory National Living Wage as set by the government.

ANSWER KEY

1. **Answer**: C
2. **Answer**: B
3. **Answer**: A
4. **Answer**: A
5. **Answer**: D
6. **Answer**: D
7. **Answer**: D
8. **Answer**: A
9. **Answer**: A
10. **Answer**: D
11. **Answer**: B
12. **Answer**: B
13. **Answer**: A
14. **Answer**: C
15. **Answer**: C
16. **Answer**: A
17. **Answer**: A
18. **Answer**: A
19. **Answer**: C
20. **Answer**: A
21. **Answer**: B
22. **Answer**: D
23. **Answer**: D
24. **Answer**: A
25. **Answer**: B
26. **Answer**: C
27. **Answer**: C
28. **Answer**: A
29. **Answer**: B
30. **Answer**: D
31. **Answer**: A
32. **Answer**: A
33. **Answer**: A
34. **Answer**: D
35. **Answer**: A
36. **Answer**: C
37. **Answer**: B
38. **Answer**: C
39. **Answer**: A
40. **Answer**: B