

Sample Exam Questions

Core Unit 2- Regulation of 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. In Sale and Purchase Agreement, a binding statement of fact given by the seller about a particular aspect of the Target Company is known as:

- A. An indemnity
- B. A pension schedule
- C. A warranty
- D. A disclosure letter

2. The Financial Services Act 2012 replaced the Financial Services Authority (FSA) with:

- A. The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA)
- B. The National Insurance Contributions and Employer Office (NIC&EO) and the Financial Conduct Authority (FCA)
- C. The Pension Protection Fund (PPF) and the Prudential Regulation Authority (PRA)
- D. The Fraud Compensation Fund (FCF) and the Financial Conduct Authority (FCA)

3. Details of the benefits payable upon the death of a deferred member are typically defined in:

- A. The Definitive Trust Deed only
- B. Both the scheme Rules and the Definitive Trust Deed
- C. The scheme Rules only
- D. Neither the Definitive Trust Deed nor the scheme Rules

4. An "unauthorised payments surcharge" applies:

- A. If a scheme pays out more than 25% of its assets in the form of unauthorised payments in any year
- B. To all unauthorised payments

C. Only to payments where the Scheme Administrator was unaware the payment was unauthorised when paid

D. Where 25% or more of the value of a member's benefits is paid out in the form of an unauthorised payment

5. In relation to section 75 debt, a "scheme apportionment arrangement" is an arrangement where:

A. The departing employer's debt is guaranteed by a guarantor

B. A scheme's rules provide for the departing employer to pay an amount other than its share of the liabilities

C. The departing employer's share of the liabilities is written off

D. The departing employer's share of the liabilities is transferred out of the scheme

6. On divorce in Scotland where the Court sets aside benefits for the ex-spouse:

A. Both pensions and lump sums can be earmarked and an Attachment Order made

B. Only pensions can be earmarked and an Attachment Order Made

C. Only lump sums can be earmarked and an Earmarking Order made

D. Both pensions and lump sums can be earmarked and an Earmarking Order made

7. The Pensions Act 2004 effectively requires all funded occupational pension schemes which are based in the UK to be established under:

A. Irrevocable Trust

B. Public Trust

C. Private Trust

D. Master Trust

8. In a registered pension scheme, tax relief is generally applied to:

A. Member contributions and employer contributions only

B. The member's tax-free lump sum at retirement, member contributions and employer contributions only

C. Employer contributions, member contributions and the scheme's investment returns only

D. The scheme's investment returns, the member's tax-free lump sum at retirement, member contributions and employer contributions

9. The trustees' annual report for an occupational pension scheme must be prepared and published:

A. Only when requested by the employer

B. Within 7 months of the scheme year end

C. Within 12 months of the scheme year end

D. At least once every three years

10. Effective from 6 April 2024, the Lump Sum Allowance was one of two new limits which replaced the:

- A. Annual Allowance
- B. Lump Sum and Death Benefit Allowance
- C. Money Purchase Annual Allowance
- D. Lifetime Allowance

11. Basic scheme information which must be automatically provided to a new member of a pension scheme is usually contained in a:

- A. Summary Funding Statement
- B. Scheme Booklet
- C. Individual Benefit Statement
- D. Short version of the Scheme's Annual Report

12. The risk-based element of the PPF Levy broadly takes account of:

- A. The funding level of the scheme and the risk of employer insolvency
- B. The risk of employer insolvency and the amount of the liabilities for providing PPF benefits to the members
- C. Only the amount of the liabilities for providing PPF benefits to the members
- D. The funding level of the scheme only

13. Trustees must comply with the Trustee Knowledge and Understanding requirement under the:

- A. Pensions Act 1995
- B. Pensions Act 2004
- C. Pension Schemes Act 1993
- D. Trustee Act 1925

14. In a defined contribution scheme, the Annual Management Charge is usually:

- A. Paid by the employer to the provider on an annual basis
- B. Deducted from the member's fund
- C. Triggered when a member moves their fund from one investment to another
- D. Waived for members who are not in the default arrangement

15. Where an Expression of Wish form has been completed by a member in respect of a death benefit, the trustees:

- A. Are legally bound to comply with the member's wishes

- B. Cannot take account of the member's wishes unless the form is signed in the presence of a witness
- C. Should take full account of member's wishes but are not legally bound by them
- D. Are not entitled to investigate the member's personal circumstances at the time of their death

16. The Government's anti-avoidance and clearance regime was introduced in 2005 in order to:

- A. Prevent employers structuring corporate transactions in order to minimise or avoid any section 75 debt due
- B. Prevent employers triggering the wind up of a scheme that is in deficit
- C. Prevent employers avoiding payment of deficit reduction contributions to a scheme
- D. Prevent employers entering a contract with an insurer to insure scheme benefits, without trustee consent

17. Which of the following is a notifiable event?

- A. Payment of a transfer value greater than 5% of the value of the scheme assets
- B. Two changes of Scheme Actuary within a year
- C. Commencement of a pension in payment greater than £250,000 per annum
- D. A change to the scheme's appointed Independent Trustee

18. The right to equal treatment and non-discrimination that applies to the operation of pension schemes derives from:

- A. United Kingdom law
- B. The Pensions Regulator's Code of Practice
- C. European Union law
- D. The Pensions Act 2004

19. In its guidance for trustees on managing conflicts of interest, which of the following solutions does the Pensions Regulator consider to be a last resort?

- A. The resignation of the conflicted trustee
- B. The appointment of an independent trustee
- C. Introducing confidentiality agreements
- D. The conflicted trustee being excluded from the decision-making process

20. The increase granted by the Pension Protection Fund to pensions in payment accrued from 5 April 1997 is:

- A. No increase
- B. Price inflation with no maximum or minimum applying
- C. Price inflation capped at 2.5%

D. Price inflation capped at 5.0%

21. Where a scheme chooses to insure some or all of its benefits, the party entering into the contract with the insurer is usually:

- A. All of the scheme beneficiaries
- B. The scheme members, each with an individual contract
- C. The active and deferred members only
- D. The trustees

22. If an individual exceeds their Annual Allowance, and has no unused allowance available from previous years:

- A. Action may be taken by the Regulator against the trustees
- B. The excess, less tax, must be repaid to the member
- C. The member will be liable for tax on the excess
- D. The Scheme is required to pay tax on the excess

23. Which of the following is NOT one of the three main aspects of the anti-avoidance regime?

- A. The Pensions Regulator's power to issue contribution notices
- B. The Pensions Regulator's power to issue financial support directions
- C. The Pensions Regulator's power to grant clearance
- D. The Pensions Regulator's power to fine an employer

24. The "Trustee Register", maintained by the Pensions Regulator, is a register of which type of trustees?

- A. Independent trustees, who meet certain legislative requirements
- B. Corporate trustees, established by employers
- C. Professional trustees, who are paid for their services
- D. Member-nominated trustees, elected by the scheme members

25. One of the main features of a trust is that it can be enforced only by:

- A. The trustees
- B. A Court
- C. HM Revenue & Customs
- D. The beneficiaries

26. The main role of the Internal Governance Committee within the governance structure of a contract-based workplace pension scheme is to:

- A. Ensure the provider is meeting its service level agreements
- B. Provide contribution reports to the employer

- C. Advise members on their options when reaching retirement
- D. Monitor and report on whether the members are receiving value for money

27. Where benefits are transferred from one scheme to another following a scheme merger, most commonly:

- A. Benefits for both past and future service are calculated according to the rules of the receiving scheme
- B. Benefits for both past and future service are calculated according to the rules of the transferring scheme
- C. Only benefits for past service are calculated according to the rules of the transferring scheme
- D. Only benefits for future service are calculated according to the rules of the transferring scheme

28. Determinations made by the Pensions Ombudsman can only be appealed:

- A. By the trustees
- B. On a point of law
- C. By the complainant
- D. If the determination does not fully compensate the complainant for financial loss suffered

29. Prior to 6 April 2006 it was an HMRC requirement that one of the trustees of an approved Small Self-Administered Scheme (SSAS) must be a:

- A. Professional Trustee
- B. Pensioner Trustee
- C. Member-nominated Trustee
- D. Individual Trustee

30. Where the age-related provisions of pension scheme rules are considered to be excluded from the application of age discrimination legislation, trustees must:

- A. Disapply any provisions which are not exempt, and which discriminate on grounds of age, unless those provisions can be objectively justified
- B. Take no action because the age discrimination legislation is considered to be overriding legislation
- C. Disapply any provisions which are not exempt, and which discriminate on grounds of age, in all circumstances
- D. Take no action because all age-related provisions in pension scheme rules are exempt from the legislation

31. A scheme consisting of defined benefits only and which was "contracted out" prior to April 2016 is known as a:

- A. Contracted-out Mixed Benefit Scheme
- B. Appropriate Personal Pension
- C. Contracted-out Salary Related Scheme
- D. Contracted-out Money Purchase Scheme

32. It is not necessary for trustees to formally amend pension scheme provisions if:

- A. The amendment is in respect of an improvement to the benefits provided to members
- B. New overriding legislation comes into effect which overrides the scheme's Rules
- C. The employer has already agreed in writing to the amendment
- D. An announcement has been made to the scheme members

33. Which body has the power under the Pensions Act 1995 to appoint pension scheme trustees in order to protect the interests of members?

- A. The principal employer of the scheme
- B. The scheme membership
- C. The Pensions Regulator
- D. One of the scheme's participating employers

34. Recent Pensions Ombudsman determinations on pensions liberation led the Ombudsman to conclude that:

- A. The transfer must be refused if the trustees suspect the receiving scheme is for liberation purposes
- B. A member always has a right to transfer their benefits and does not have to prove that right to the trustees
- C. If the member has a right to transfer their benefits, the trustees cannot refuse to make the transfer
- D. The trustees do not have to be satisfied that a right to transfer does not exist before refusing the transfer

35. On divorce, one disadvantage of an Attachment Order when compared to a Pension Sharing Order is that:

- A. The ex-spouse can transfer the pension rights to another pension arrangement
- B. The ex-spouse's benefits only become payable when the member's benefit entitlement arises
- C. There is the opportunity for a "clean break" as the ex-spouse's right is independent of the member
- D. The member pays a proportion of their pension benefit directly to the ex-spouse

36. Which of the following is NOT a key feature of a share sale?

- A. A seller sells, and a buyer buys, shares in a company (the 'Target')

- B. The sale and purchase agreement is made between the buyer and the owner(s) of the Target's shares but the business activity is still owned by the Target
- C. There is no change in the direct ownership of the Target's business company
- D. A buyer acquires the assets that make up the Target

37. The document maintained by trustees to identify any weaknesses in the scheme's internal controls is the:

- A. Risk Register
- B. Conflicts of Interest Policy
- C. Financial Statements
- D. Trustees' Report

38. Responsibility for ensuring that a pension scheme has an Internal Dispute Resolution Procedure in place lies with:

- A. The employer
- B. The trustees
- C. The scheme members
- D. The Pensions Regulator

39. Which of the statutory duties with which trustees must comply is imposed by the Trustee Act 2000?

- A. Disclosure
- B. Notifiable Events
- C. Payment of Tax
- D. Duty of Care

40. What right does a Non Eligible Jobholder have within the auto enrolment framework?

- A. The right to be automatically enrolled with the employer paying double the standard rate.
- B. The right to receive employer contributions into a cash account if they do not join.
- C. The right to join the scheme only after they have reached the age of 60 or 10 years' service.
- D. The right to opt In to a qualifying scheme and receive employer contributions.

ANSWER KEY

1. C
2. A
3. C

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