

## Core Unit 3 Examiners' Report

There were two parts to the question paper:

- Part One consisted of 50 multiple choice questions
- Part Two consisted of seven short answer questions

### Short answer questions

Average scores for Part 2 of the paper were lower than for Part 1. Overall the standard of answers was good. The best answered question was Question 1 and the question which attracted the lowest average score was question 6.

**1. Describe the information which occupational DC pension schemes are required to include in their Chair's statements including the additional requirements that apply from April 2020. (10 marks)**

This was a straightforward question which was generally well answered. To gain full marks candidates needed to cover the following:

- For the default arrangement
  - Latest Statement of Investment Principles
  - Description of any review undertaken in the year
  - Changes resulting from the review
  - If no review date of last one
- Transaction costs & charges
  - Amounts for default
  - Range for other funds
  - Trustees assessment of whether good value
  - If transaction cost information is missing explain this and how it will be obtained in the future
  - Illustrative example of cumulative impact on members
- Trustee knowledge and understanding
  - Describe how requirements have been met
  - Explain how trustees combined knowledge and understanding with assistance of advisers enables them to exercise functions properly
- Publication
  - Publish statement on publicly available website
  - Tell members where it can be found

The relevant section of the manual was Section 6 Chapter 3 (3.3.3).

**2. Lost the basic system requirements for defined benefit schemes. (7 marks)**

This question attracted the highest average scores. However, a small number of candidates misinterpreted the question and instead gave details of the data items to be held on member records. The requirements which should have been included in the answer were:

- Holding member records.
- Benefit calculations.
- Production of letters, emails and benefit statements
- Data extracts for: actuarial valuations; scheme accounts; and HMRC returns and reports
- Payroll facility and P60s for pensioners
- Monitoring admin work (workflow)
- Electronic scanning and storage of documents
- Electronic transfer / submission of data

The relevant section of the manual was Section 1 Chapter 1 (1.3)

**3. Outline the main options open to Trustees to recover any overpayment made to a beneficiary / member. (5 marks)**

On average candidates managed to pick up 3 of the 5 marks available. To get maximum marks candidates simply needed to outline the following options.

- Recover as a lump sum from beneficiary / member
- Recover from member / beneficiary by adjusting future pension payments (subject to giving member notice)
- Reimbursement by sponsoring employer under indemnity in scheme rules
- If due to third part error recovering loss from them

The relevant section of the manual was Section 5, Chapter 3 (3.8).

**4. Explain the enforcement options available to the Pension Regulator if an employer fails to comply with its automatic enrolment duties. (8 marks)**

Most candidates were able to explain the options at a high level which scored them around half the available marks. To score the maximum marks available an additional layer of detail (eg amounts of fines / penalties) was required as detailed below:

- Informal action to provide assistance to employers to comply
- Statutory powers to request information / enter premises to obtain information
- Recover unpaid contributions and prohibit someone acting as a trustee
- Statutory notice directing employers to take or refrain from taking steps
- Fixed penalty notice of £400
- Escalating penalties between £50 and £10,000
- Action in civil courts to recover unpaid contributions
- Action in criminal courts to prosecute individuals where there has been wilful non compliance
- Publish quarterly AE compliance and enforcement bulletins
- Provide information about cases / powers used.

The relevant part of the manual was Section 2 Chapter 1 (1.13).

**5. Outline the six data protection principles contained in the Data Protection Act 2018.**  
**(10 marks)**

The quality of responses to this question was generally not good with candidates on average picking up around half the available marks. This was somewhat surprising given we would expect most candidates to be familiar with data protection through their day to day work. The following points should have been covered in the answer:

- Lawfulness, fairness and transparency
  - Lawful reason to collect data
  - Clear to individual what data is collected and why
- Purpose limitation
  - Data should only be used for the purpose for which it is collected
- Data minimisation
  - Only data that is necessary should be collected
- Accuracy
  - Data should be accurate and where necessary kept up to date
- Storage limitation
  - Data should be kept no longer than is necessary
- Integrity and confidentiality
  - Data should be kept securely

The relevant section of the manual was Section 1 Chapter 2 (2.3)

**6. Describe the key characteristics of Fixed Protection 2016 and Individual Protection 2016.**  
**(10 marks)**

The quality of answers to this question was generally good with candidates on average scoring 8 out of the 10 marks available. Candidates were typically more comfortable explaining Fixed Protection than Individual Protection and there seemed to be some confusion about the level of protection afforded by the latter. Examiners were looking for candidates to include the following points:

- Both introduced in 2016 as a result of LTA reducing to £1m
- Fixed Protection 2016
  - Protects benefits up to £1.25m
  - Restrictions apply to future contributions / accrual
  - No deadline for applying
  - Not available if individual has: Primary, Enhanced, Fixed Protection 2012 or Fixed Protection 2014
- Individual Protection
  - Protect value of benefits at 5 April 2016
  - As long as value is more than £1m
  - Gives personal LTA of value of rights up to £1.25m
  - No deadline for applying
  - Not available if individual has: Primary protection or Individual Protection 2014

- Can keep saving into pension with excess above personal LTA subject to a tax charge

The relevant section of the manual was Section 4 Chapter 3 (3.5 & 3.6).