Defined Benefit Arrangements

Assignment 1

*(Part 1 – Scheme Design and Part 2 – Day to Day Administration)*

*Recommended Time: 3 hours*

1. **Your Company uses its DB scheme for the purposes of automatic enrolment. A new employee has queried why they will be enrolled into the Company’s pension scheme without giving their consent. Outline how becoming a scheme member operates for automatic enrolment schemes and non auto enrolment schemes.**

**10 marks**

Relevant section of the manual is Part 2 Chapters 1.1.1 and 1.2.2.

Format: descriptive

Answer should cover:

* Auto enrolment and its requirements from the jobholder
* Treatment of employees with HMRC protection
* Contractual enrolment
* Application process for non auto enrolment schemes
* Key differences between automatic and contractual enrolment

1. **You are an in-house pensions administrator for a logistics company. An operative has asked you to meet with him to discuss his options as he has health problems and is considering retiring early. He is aged 54, his Normal Pension Age under the scheme is 60 and the scheme was contracted-out.**

**Write an aide memoir for the meeting, covering the information you will give him about retiring early, including any key differences between early retirement and retirement at NPA.**

**20 marks**

Relevant section of the manual is Part 2 Chapters 3.1.1, 3.1.5 and 3.1.6.

Format: notes/bullets

Answer should cover:

* Minimum pension age and protected pension age
* Potential for and requirements of ill-health retirement before minimum pension age
* Trustee/employer consent
* Early retirement benefit calculation and reduction
* Impact of GMP on early retirement
* Key differences between early retirement and normal retirement
* Benefit options ate retirement – lump sum/residual pension

1. **You are the Pensions Manager in a public sector organisation. You have been asked to provide a training session to new starts in the Pensions Department about the key features of public service pension schemes. Prepare a presentation for the training session.**

**20 marks**

Relevant section of the manual is Part 1 Chapter 1.6.

Format: slides or similar presentation format, clearly headed sections

Answer should cover:

* Governing legislation/statute
* Benefit structure and Public Service Pensions Act 2013
* Funding basis
* Public Sector Transfer Club
* Impact on private sector schemes

1. **A member who has recently left pensionable service emails to advise you that they would like to transfer their benefits out of the scheme. Prepare a reply to the member explaining how transfer values are calculated, the information the member will be given and what information is required from the receiving scheme.**

**10 marks**

Relevant section of the manual is Part 2 Chapter 4.2.5.

Format: Email format with appropriate headers

Answer should cover:

* Who is responsible for determining the transfer calculation basis
* Governing legislation
* Types od cash equivalent and how these are calculated
* Guarantee period and statement of entitlement
* Statutory discharge

1. **You manage a scheme that offers DC AVCs and also includes a small, closed group of members who pay DB AVCs. The scheme auditor has asked you to explain the key objectives of the administration of DC AVCs and DB AVCs. Write a brief paper for the auditor providing this information and highlighting the key differences between the administration of DC and DB AVCs.**

**10 marks**

Relevant section of the manual is Part 2 Chapter 2.2.1 and 2.2.2.

Format: no preferred format – list or paragraph acceptable

Answer should cover:

* Deduction of DC and DB AVC contributions and payment to the AVC provider or scheme
* Investment of contributions
* Contribution changes and disinvestments
* Settlement of DC AVC benefits
* The benefits secured by DB AVCs

1. **You are a Pensions Consultant for a Company who is looking to reduce its pension scheme costs. Your client has asked you to outline the changes they could consider making to the structure of its final salary scheme. Write a paper outlining the options available, how these changes would reduce costs and the implications on member’ benefits.**

**20 marks**

Relevant section of the manual is Part 1 Chapter 1.5.

Format: formal paper with introduction, clear sections for each option, summary/concusion and recommendation.

Answer should cover:

* Why companies restructure DB schemes
* 4 options available, and for each option:
  + Impact on members’ benefits
  + How the Company’s costs will be reduced
* Consultation requirements
* Automatic enrolment implications enrolment

1. **Outline the process of involved in an annual update of scheme records for active members.**

**10 marks**

Relevant section of the manual is Part 2 Chapter 2.8.

Format: descriptive

Answer should cover:

* When the update would take place and why it is required
* What information is updated
* Reconciliation of information
* Ad hoc events