Defined Benefit Arrangements

Assignment 4

*(Part 5 – Winding Up and the Pension Protection Fund)*

*Recommended Time: 3 hours*

1. **You are the consultant for a scheme where the Sponsoring Employer of the scheme has become insolvent. The trustee has asked you to outline the key issues the Trustee should address. Write a short paper outlining 3 key issues the Trustee should consider.**

**15 marks**

Relevant section of the manual is Part 5 Chapter 1.4.

Format: formal report, introduction, key issues, conclusion, recommendation

Answer should cover:

* Protection of assets from creditors
* Arrears of contribution
* PPF and FAS

1. **You are a Pensions Manager, managing a scheme which is not eligible to enter the PPF. Your CFO has emailed you asking for information on an alternative way benefits could be paid to some scheme members if the employer were to become insolvent. Reply to the CFO.**

**10 marks**

Relevant section of the manual is Part 5 Chapter 2.7.

Format: email with appropriate headers

Answer should cover:

* Financial Assistance Scheme
* Pensions Act 2004
* Eligibility for FAS help
* Criteria for members to qualify for benefits
* The purpose of the Report
* The information that the Report must contain
* Suitability of FAS as an option for providing compensation

1. **You are the administrator for a scheme which will be transferring to the PPF. Draft a letter to scheme members outlining the level of benefits that will be payable from the PPF.**

**10 marks**

Relevant section of the manual is Part 5 Chapter 2.5.

Format: formal letter, plain English, recipient will have little or no technical knowledge

Answer should cover:

* The percentages payable for all categories of pension in payment, before and after NPA
* Deferred benefits, before and after NPA
* Benefit caps
* Pension increases and revaluation of deferred pensions
* Survivors’ benefits

1. **You are the Pensions Adviser to the Sponsoring Employer of a small DB scheme which is closed to new members but open for future accrual. The employer wishes to close the scheme with a view to winding it up. Write a short paper for the employer, outlining the key considerations.**

**20 marks**

Relevant section of the manual is Part 5 Chapter 1.2.

Format: formal report, introduction, key sections, summary/conclusion, recommendation

Answer should cover:

* the factors that need to be considered before closing a scheme
* the advantages and disadvantages to the employer of closing the scheme
* the powers various parties have to close the scheme and how this is achieved
* Reference to the Trust Deed and Rules and the Pensions Act 2004

1. **You are the consultant for a scheme where wind-up has been triggered. The trustees have asked you to talk to them about how they can protect themselves from claims from beneficiaries after wind-up has been concluded. Write an aide memoir to take to the meeting.**

**10 marks**

Relevant section of the manual is Part 5 Chapter 1.7.

Format: informal, note/list/bullets

Answer should cover:

* Pensions Act 2005 – trustees discharges
* Pensions Act 1925 – notice
* Trust deed exoneration clause
* Employer indemnity
* Purchase of run-off insurance

1. **As a Pensions manager, the Chair of the Trustee Board has asked you for information about the purpose of the PPF assessment period and the member communication required. Write an email to the Chair outlining:**
2. **the parties involved in the assessment period and the timescale of the assessment period**
3. **the two key trustee responsibilities during the assessment period and the information provided in the trustee announcement issued when the scheme enters the assessment period**

**25 marks**

Relevant section of the manual is Part 5 Chapters 2.3.1 and 2.3.3

Format: email format with appropriate headers, some bulleting acceptable.

Answer should cover:

* 2 year timescale
* List 10 key parties
* Trustees must ensure scheme data is accurate
* Trustees must continue to pay pensions – at PPF level
* 6 key points included in the trustee announcement

1. **Briefly describe:**
2. **how a scheme’s funding is assessed in order to determine if it can be accepted into the PPF**
3. **What are the options for a scheme where PPF entry is declined due to its funding level**

**10 marks**

Relevant section of the manual is Part 5 Chapter 2.4.

Format: descriptive, informal

Answer should cover:

* PPF funding determination
* S143 valuation
* Accepted into PPF is funding level insufficient to cover PPF level of benefits
* Entry declined where scheme funding is sufficient to cover PPF level of benefits
* 2 courses of action for declined schemes
* Reconsideration
* Buy-out