**Core Unit 3 – Running a Workplace Pension Scheme**

**Assignment 4 notes**

(Part 5 – Treasury Management)

Recommended Time: 1 Hour

1. **List the information that is included in the trustees’ report and accounts.**

Answer should cover:

The trustees’ report and accounts need to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The report and accounts will include:

* the names of the trustees during the scheme year
* the provisions of the scheme
* the number of beneficiaries and active, deferred and pensioner members
* for DB schemes, the percentage increases made (on top of legislative requirements) during the year to pensions in payment and deferred pensions, together with a statement clarifying the extent to which any increase was discretionary
* the names of the trustees’ professional advisers, bank, custodians and other persons or organisation who have acted or were retained by the trustees during the scheme year, together with any changes since the previous scheme year
* a statement as to whether the accounts have been prepared and audited in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996
* details on who has managed the investments of the scheme during the year and the extent of any delegation of this function by the trustees
* a copy of any statement made on the resignation or removal of the auditor or actuary and made in accordance with regulations made under section 47(6) of the 1995 Act (professional advisors).
* for DC schemes, a statement which the trustees are required to prepare in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

**10 marks**

1. **List the types of pension arrangements that are covered and excluded by the Statement of Recommended Practice.**

Answer should cover:

The SORP covers most pension arrangements including:

* Occupational DB and DC schemes
* Fully insured schemes
* Earmarked schemes
* Employer financed benefit schemes
* Schemes in wind up
* Overseas schemes
* Trust-based stakeholder schemes

It excludes:

* Unfunded schemes
* Group Personal Pensions
* Free standing AVC arrangements
* Non trust-based stakeholder schemes

 **10 marks**

1. **List the various lump sum death benefits and explain the amount of tax payable.**

Answer should cover:

|  |  |  |
| --- | --- | --- |
| Type of death benefit | Before age 75 | Age 7 or over |
| Defined benefits lump sum | Payment is tax-free unless the member has insufficient LTA or it is paid outside the two-year limit | Payment is taxed as income through pay as you earn |
| Uncrystallised funds lump sum | Payment is tax-free unless the member has insufficient LTA or it is paid outside the two- year limit | Payment is taxed as income through pay as you earn |
| Pension protection lump sum | Payment is tax-free | Payment is taxed as income through pay as you earn |
| Trivial commutation lump sum | Payment is taxed as income through pay as you earn | Payment is taxed as income through pay as you earn |
| Drawdown pension fund lump Sum | Payment is tax-free unless it is paid outside the two-year limit | Payment is taxed as income through pay as you earn |
| Flexi-access drawdown fund lump sum | Payment is tax-free unless it is paid outside the two-year limit | Payment is taxed as income through pay as you earn |
| Annuity protection lump sum | Payment is tax-free | Payment is taxed as income through pay as you earn |
| Winding up lump sum | Payment is taxed as income through pay as you earn | Payment is taxed as income through pay as you earn |
| Charity lump sum | Payment is tax-free | Payment is tax-free |
| Life cover lump sum | Payment is tax-free | Payment is tax-free |

**10 marks**

1. **List the various records that must be retained by pension schemes in the operation of a pension scheme bank account.**

Answer should cover:

The Registered Pension Schemes (Provision of Information) Regulations 2006 (as amended) set out the records that must be retained by pension schemes. These records relate to:

* Any monies received by or owing to the scheme
* Any investments or assets held by the scheme
* Any payments made by the scheme
* Any contracts to purchase a lifetime annuity in respect of a member of the scheme
* The administration of the scheme
* The regulations impose a requirement on trustees and the sponsoring employer of an occupational scheme or any person providing administrative service to keep the records for six years from the tax year to which they relate.

**5 marks**

1. **Outline the tasks that must be covered when setting up a pensioner payroll.**

Answer should cover:

* Register as an employer with HMRC and get a login for pay as you earn (PAYE) Online
* Choose your payroll software to record member details, pension amounts, calculate deductions, and report to HMRC
* Collect and keep records
* Tell HMRC about your scheme members, and
* Record pension payments, make deductions and report to HMRC on or before the first payment date.

**5 marks**

1. **Write a short note explaining Real Time Information (RTI).**

Answer should cover:

RTI means trustees of pension schemes must, as part of their payroll process, tell HMRC about PAYE payments at the time they are made, rather than just once a year at payroll year end.

PAYE should still be processed in the same way but pension schemes will need to submit payroll information to HMRC on or before the date any payments are made. The information should be submitted using Full Payment Submission (FPS). Payroll providers have developed software that generate the required reports that contain the payroll information that needs to be submitted online to HMRC.

If the scheme does not have to make any payment in a particular tax month, there will be no FPS to send to HMRC. The scheme must notify HMRC of this by sending an Employer Payment Summary (EPS) by the 19th of the following tax month.

HMRC will levy a penalty against a pension scheme if:

* the FPS was late
* they did not send the expected number of FPSs
* they did not send an EPS when the scheme did not pay any members in a tax month

The amount of the levy will depend on the number of members in receipt of payments from the scheme:

|  |  |
| --- | --- |
| Number of members | Monthly penalty |
| 1 – 9 | £100 |
| 10 – 49 | £200 |
| 50 – 249 | £300 |
| 250 or more | £400 |

**10 marks**