PMI Core Unit 2 – Examiners Report for April 2021 Exams

Some very high marks were achieved for the April 2021 paper, continuing the improvement seen from the October 2020 papers. Most candidates scored well across both the multi- choice questions and the short form questions, showing a good awareness of the syllabus. The lockdowns and general restrictions over the previous 18 months may have meant candidates had more spare time to concentrate on studying. There were only a small percentage of candidates who scored low marks across all questions and some who did not answer one or two of the questions meaning their scores fell below average and failed the paper. Completion of papers on- line has improved presentation of the answers, which have been set out more logically and clearer than with past handwritten papers.

It was brought to the examiners' attention, before we started marking the short form answers, that one of the multi-choice questions was out of date and the answer was not covered in the manual. It was therefore agreed that the answer to this question would be taken out of the overall scores and the examiners have taken this into account in relation to setting the overall pass mark.

Q1. **The making of an unauthorised payment from a Registered Pension Scheme will generate up to 4 tax charges. List and explain each of the charges.**

This was covered by Part 1 Chapter 1.5.1 of the manual. 10 marks were available.

This question was well answered and was looking for listing and information on, Unauthorised Payment Charge, Unauthorised Payment Surcharge, Scheme Sanction Charge and Deregistration Charge. These should be terms candidates are familiar with in their day to day work and a number of candidates obtained the full 10 marks on this question.

Q2. DC arrangements can be structured as 'bundled' or 'unbundled' arrangements. List the advantages and disadvantages of a bundled arrangement.

This was covered by Part 5, Chapter 1.2.5. 10 Marks were available.

Generally this question was answered well. In a few cases candidates did identify clearly which were advantages and disadvantages, and some candidates included information on unbundled arrangements as well.

Examples of the advantages of bundled arrangements where; one point of contact, cross team relationships existing, cost advantages as the Annual Management Charge (AMC) can be met by members, easier to negotiate terms and member communication advantages through standard member communications being available and web access. Disadvantages include, not having access to the "best of breed" advisers and the AMC potentially being more expensive for members.

Q3. Briefly Outline the role of the HM Treasury and list its responsibilities

This was covered by Part 1, Chapter 4.2.1 and 6 marks were available.

This was a very straightforward question. It could be answered with a brief introduction that HM Treasury is the UK Government department responsible for the regulation of the financial services industry and comes under the authority of the Chancellor of the Exchequer. The responsibilities could be set out in a bullet point list to include, for example, public spending and financial services policy. It was reasonably well answered but some candidates did mix up the responsibilities of HM Treasury with other financial institutions.

Q4. On a Scheme merger, explain how a bulk transfer of members' assets and liabilities to another Scheme, can be achieved without the members' consent.

This was covered by Part 4, Chapter 1.9.1 of the study manual. 8 Marks were available.

Most candidates scored average marks for this question, failing to include adequate detail. For example, most candidates mentioned the requirement for certification from the actuary of the seller's scheme but did not include the detail of what this should cover; reference could have been included to the certificate being issued under Schedule 3 of the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 to the effect that the benefits to be attributed to the transferring members in the receiving scheme are broadly no less favourable than those given up under the transferring scheme. Points were also available for the factors the actuary would take into account when considering whether benefits are no less favourable e.g. years of pensionable service to be credited to the members in the receiving scheme, level of benefits and the solvency position of each scheme. Few candidates mentioned that, although member consent was not required, the members must be given full information of the transfer at least one month before the transfer takes place.

Q5. In Trust Law, when can a trust be terminated?

This was covered by Part 2, Chapter 1.8 of the manual. 8 Marks were available.

Answers on this were quite varied.

Some points to include were, a trust may be terminated where the trustee has distributed its proceeds to the beneficiaries, or where there are express terms under the trust deed which bring the trust to an end. In addition, where all the actual or potential beneficiaries are in existence and have legal capacity to do so, they can require all trust property to be transferred to them bringing the trust to an end; few candidates though went on to mention though that this would not be possible under a trust where the class of beneficiaries may change, (as is the case with most pension schemes), or where it is contingent on a particular event occurring. Some candidates did mentioned rules around perpetuity which gained a mark.

Q6 Pension Sharing is one option available for dealing with pensions on divorce. Write notes about how this option works.
This was covered by Part 3, Chapter 1.2.2 of the manual and 8 Marks are available.

There were some good, detailed answers given to this question, and as for question 1 this would be a topic many candidates would be familiar with in their day-to-day work as well as what this covered in the manual. However, there were a number of candidates where only a few of the relevant points were mentioned.

The main points that were included by most candidates were, that pension sharing offers a clean break and gives greater flexibility than earmarking or offsetting, most candidates referred to credits and debits, with some going into further detail on how these worked. Other points to include were, that Pension sharing applies to divorce proceedings from 1 December 2000 and the Court can order sharing to take place, and reference to the process of sending the Court order to the Pensions administrator to implement.

Very few candidates mentioned the different treatment in Scottish Law e.g. that the assets in question can only be those built up during the marriage/ civil partnership.

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