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Core Unit 1A – Providing for Retirement

Mock Examination Notes

Recommended Time: 1 Hour

1. **List the TPR’s current statutory objectives.**

**5 Marks**

Answer should cover the following:

* Protect the benefits of members of workplace pension schemes.
* Promote good administration of workplace pension schemes.
* Reduce the risk of situations arising that may to lead to claims from the PPF.
* Maximise compliance with the employer duties relating to automatic enrolment.
* Minimise any adverse impact on the sustainable growth of an employer.

(Relevant Section of the manual is Part 2 Chapter 1.1)

1. **Give brief notes on the statutory benefits that can be paid by the employer.**

**10 Marks**

Answer should cover the following:

* Statutory sick pay – during the first 28 weeks of time off work employers must make statutory payments. For 2021/22 is payable at a flat rate of £96.35 per week.
* Statutory maternity pay and leave – can be up to 52 weeks and paid for up to 39 weeks. First 6 weeks at 90% of average weekly earnings, remaining 33 weeks, lower of £151.97 per week or 90% of average weekly earnings.
* Statutory paternity pay and leave – choose either one or two consecutive weeks. The lower of £151.97 per week or 90% of average weekly earnings.
* Statutory adoption pay and leave – can take up to 52 weeks. The lower of £151.97 per week and 90% of gross average weekly earnings. Paid up to 39 weeks.
* Shared parental pay and leave – partners can share leave if both eligible and can choose how much they take each. Mother must take a minimum of 2 weeks maternity leave but either can take the rest of the 52 weeks of leave and can take up to 39 weeks of shared parental pay. Lower of £151.97 per week and average weekly earnings.
* Statutory parental bereavement pay and leave – from 6 April 2020, eligible employees are entitled up to 2 weeks leave irrespective of length of service. The lower of £151.97 per week or 90% of average weekly earnings.

(Relevant Sections of the manual are Part 3 Chapter 2.1.1 – 2.1.6)

1. **Explain the main features of automatic enrolment.**

**5 Marks**

Answer should cover the following:

* All eligible jobholders must be automatically enrolled into a qualified scheme
* May opt-out within one month of being auto-enrolled
* Employer has a duty to re-enrol every 3 years
* Postponement of re-enrolment for up to 3 months
* Introduced in stages for existing employers
* Applies to all new employers

 (Relevant Section of the manual is Part 3 Chapter 3.2.1)

1. **What is a stakeholder pension?**

**10 Marks**

Answer should cover the following:

* Personal pension scheme
* Capped annual management charges to a maximum of 1.5% of fund’s total value for first 10 years, then 1%
* Must accept transfers in and no charge
* Stipulate a minimum contribution as long as no higher than £20
* Default investment option
* From 8 October 2001, 5 or more employees had to designate a stakeholder pension scheme if not providing an occupational pension scheme nor contributing 3%
* Employees did not have to join
* Employers did not have to contribute
* Result of automatic enrolment, stakeholder requirement abolished from 1 October 2012.

(Relevant Section of the manual is Part 4 Chapter 1.2.7)

1. **Explain the concept of a defined contribution pension.**

**10 Marks**

Answer should cover the following:

* Money purchase arrangements
* Benefits determined by contributions paid, investment return and prices of annuities
* Opposite to DB schemes
* Contribution rates set out in the rules – costs can be predicted
* Amount of pension is dependable on a number of factors:
* Period contributions are paid
* Investment growth
* Timing of member’s retirement
* Annuity chosen
* Volatility in asset values
* Lifestyle funds
* New flexibilities from April 2015 – lump sum from age 55
* Examples – personal pension plans, stakeholders, occupational money purchase schemes and master trusts.

(Relevant Section of the manual is Part 4 Chapter 2.1.4)

1. **What is an insured pension?**

**5 Marks**

Answer should cover the following:

* Benefits provided by an insurance company under an insurance policy
* Premiums are paid
* Investment vehicle or part of the assets of the trust fund
* Individual insurance contracts
* Insurance policy issued to the trustees as the policyholder and benefits are payable to them.
* Regulated under FSMA 2000

(Relevant Section of the manual is Part 4 Chapter 2.3.4)

1. **List 5 key principles of effective member communication.**

**5 Marks**

The list should include 5 of the following:

* [the member] Feeling in control
* What’s in it for [the member]
* Make it relevant
* Clarity of roles [who to go to for information]
* Overcome contextual barriers
* Accessible presentation [aimed at the right level, well set out etc.]
* Establish baseline knowledge and confidence [use straightforward language, establish basic concepts before detail etc.

(Relevant Section of the manual is Part 1 Chapter 2.4.4)