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

**Assignment 1 notes**

(Part 1 – Design and Part 2 – Automatic Enrolment)

Recommended Time: 1 Hour

1. **Outline the main features of a Master Trust.**

Answer should cover:

# Collection, reconciliation and central functions – a central clearing house is responsible for collecting contributions through employers, handling employer queries, keeping records of contributions and ensuring that contributions are allocated to the right funds.

# Administration of member accounts – the administrator maintains the account for the individual, handles an individual’s queries and is responsible for giving them information about their account.

# Investment and fund management – the fund manager invests contributions on behalf of the member.

# Accessing pensions savings - when a member retires, they are able to access their retirement benefits. From 6 April 2015, savers now have more options available to them when they retire as a result of the introduction of the pensions freedoms. It is optional for schemes to offer these.

# Relevant section of the manual is Part 2 Chapter 2.2.

# 5 marks

1. **Access to a to a third party administrator’s system via the internet has many advantages. Describe who would typically have access to such a system why they would find it useful.**

Answer should cover:

* Employers/trustees:
  + Scheme level information
    - Membership movement statistics
    - Fund values - Contribution levels
  + Member level access
    - Update and view individual members’ records
    - Ad hoc member enrolment
  + Management information
    - Statistics for service level agreements
    - Monitoring workflow
    - Identifying where an item of work is within a process
* Transferring of data;
* Payroll administrators:
  + payroll data can be transferred between the administration system and the payroll system
  + Contribution files - including any new entrants, leavers, contribution changes, deductions to the schedule
  + Validation/approval of files before loading onto the system.
* HR – uploading/changing members’ details
* Advisers – limited access

Relevant section of the manual is Part 1 Chapter 3.8.1.

**10 marks**

1. **Outline how the new DC Code of Practice differs from the previous Code of Practice 13, and the core areas it focusses on.**

Answer should cover:

* Regulator’s 31 quality features replaced by the 6 ‘how to’ guides on achieving compliance
* Distinguishes between legal requirements and the regulator’s expectations, using “the law requires” for the former, and “we expect” for the latter
* New core areas that the code focusses on are:
  + Trustee board - trustee board continues to be suitable and demonstrates honesty and integrity, and manage risks and relationships with advisers and service providers
  + Scheme management skills - trustees possess adequate knowledge and understanding of DC

pension schemes

* + Administration - administration of DC benefits conducted efficiently and suitable reports provided to the trustee board
  + Investment governance - that suitable investment options are available, monitored and information is provided to members
  + Value for members: that members are provided with adequate value when considering the benefits and services provided with the cost of member-borne charges
  + Communicating and reporting: that members are provided with suitable and clear information regarding their DC benefits and the relevant information is reported to the Regulator
* The new code will not apply to:
* schemes providing DB benefits only, or to DB benefits in hybrid schemes,
* work-based personal pensions, stakeholder schemes, or contract-based schemes

Relevant section of the manual is Part 2 Chapter 3.2.

**10 marks**

1. **What are the principles contained in the Data Protection Act 2018, and how are data controllers and data processors defined under the Act?**

Answer should cover:

* DPA 18 contains six data protection principles:
  + Lawfulness, fairness and transparency – there should be a lawful reason to collect the data and it should be clear to the individual what data is collected and why
  + Purpose limitation – data should only be used for the purpose for which is collected
  + Data minimisation – only data that is necessary should be collected
  + Accuracy – data should be accurate and where necessary kept up to date
  + Storage limitation – data should be kept no longer than necessary. Most data collected by pension schemes is likely to be needed for very long periods.
  + Integrity and confidentiality – data should be kept securely.
* DPA 18 applies to “controllers” and “processors” and the definitions are broadly the same as under the Data Protection Act 1998:
  + data controller determines the purposes and means of processing personal data. The controller is responsible for demonstrating compliance with the data protection principles
  + data processors process the data on behalf of the data controllers

Relevant section of the manual is Part 1 Chapter 2.3.

**10 marks**

1. **List the enforcement options available to the Pensions Regulator to ensure employers meet their statutory automatic enrolment objectives.**

Answer should include 5 of the following:

* informal Action to provide assistance to employers to comply.
* statutory powers to request information and enter premises to obtain information. They can also recover unpaid contributions and prohibit someone acting as a trustee.
* statutory notices directing employers and others to take or refrain from taking steps.
* issuing a Fixed Penalty notice of £400 and Escalating Penalty notice of between £50 and £10,000 where there has been a failure to comply with a Statutory notice. Other penalties can also be issued in other circumstances.
* court action in the civil courts to recover unpaid contributions and in the criminal courts to prosecute individuals where there has been willful non-compliance.
* TPR publishes quarterly automatic enrolment compliance and enforcement bulletins, which provide information about any cases and powers they have used relating to automatic enrolment and associated employer duties.

Relevant section of the manual is Part 2 Chapter 1.13.

**5 marks**

1. **What is “cyber risk” and why does it affect pension schemes.?**

Answer should cover:

* the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes
* includes risks to information (data security) as well as assets
* includes internal risks (eg from staff) and external risks (eg hacking)
* pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals
* Trustees and scheme managers need to take steps to protect their members and assets, which includes protecting them against the cyber risk.

Relevant section of the manual is Part 1 Chapter 2.4.

**5 marks**

1. **Other than storing member data and calculating benefits, what other functions might a computerised system for a defined benefits scheme be used for?**

Answer should include 5 of the following:

* The production of letters and emails
* The production of benefit statements
* Data extracts for actuarial valuations and scheme accounts
* Data extracts for HMRC returns and reports
* The operation of a payroll facility and production of P60s for pensioner members
* The monitoring of work within the administration function (‘workflow’)
* Electronic scanning and storage of documents
* Electronic transfer or submission of data between parties).

Relevant section of the manual is Part 1 Chapter 1.3.

**5 marks**