



## **Defined Benefit Arrangements, Examiners' Report - October 2021**

Overall the standard of papers this year was very high and many Students achieved high marks by giving concise answers that related to the question asked and the points available.

Few Students picked up marks for writing the answers in the style requested.

### **Question 1: What are the key features introduced by the following Acts?**

**Pensions Act 2014**

**Taxation of Pensions Act 2014**

**Pensions Act 2015**

**Finance (No 2)**

**Finance Act 2016**

**Pension Schemes Act 2017**

(20 Marks)

A well answered question with most students achieving high marks

### **Question 2: The Pensions Regulator requires all pension schemes to meet minimum records standards. Explains the Regulator concerns and what schemes need to do to address this. (10 Marks)**

- Although most students were able to name the three types of data, some lost marks by not expanding on how the data was categorised
- Most commonly missed data type was numerical data
- Few students mentioned that enforcement action can be taken

### **Question 3: What information should active member receive about their benefits under a defined benefit pension scheme? (10 Marks)**

This question was answered well.

- The annual benefit statement may also state the increase in value of the member's defined benefits over the previous year. This point was often omitted.

### **Question 4: You are the manager of an in-house plan. There is a vacancy for a Company-appointed Trustee Director on your Trustee Board. Write a briefing note to a potential candidate explaining why trustees are required and about key duties for Trustee Directors. (20 Marks)**

Students who were prepared did well in this question.



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- When the question asks for the answer to be in the form of a document such as a paper or report then format marks are awarded. Students failed to gain marks because they did not write the answer in the correct format or chose not to format the answer at all.
- Few students mentioned that the trustees must have regard for their duties but must also work within the requirements of the scheme's legal documentation and relevant legislation.
- Several students incorrectly stated the trustees were directly responsible for calculating benefits.

**Question 5: Detail the financial assumptions which are used in actuarial valuations. (20 Marks)**

- The question was around financial assumptions but some students wasted time (and did not gain marks) by talking about demographic assumptions.
- very few students mentioned that a term dependent rate of return which reflects for each member the length of time until retirement could be used rather than separate pre and post retirement rate of return.

**Question 6: You are a pension scheme manager. Write a paper for your Trustee Board on what should be included in a Statement of Investment Principles and what actions the Trustee need to take to put one in place. (20 Marks)**

- When the question asks for the answer to be in the form of a document such as a paper or report then format marks are awarded. Students failed to gain marks because they did not write the answer in the correct format or chose not to format the answer at all.
- The statement of investment principles is a requirement for DB schemes but few students mentioned this.