



Core Unit 2, Examiner's Report - October 2021

Q1. Explain the main distinctions between a trust and a contract.

The answer to this question is in Part 2, Chapter 1.9 of the manual, with 9 marks available.

There was a broad range of marks for this question. Some candidates incorrectly based their answers on the three certainties of a Trust. Some of the points the question was looking for were that, a contract can only be enforceable if made by Deed or supported by consideration, that if the Contracts (Rights of Third Parties) Act 1999 is excluded only the parties to the contract can enforce it. Few candidates mentioned these 2 points. Most candidates did mention that a breach of contract may lead to its termination but a breach of trust does not, and that most Trusts, unlike contracts, exist for a long period of time and so capable of variation.

Q2. Outline the impact on pension rights of adoption, maternity, paternity or parental leave (family leave).

The answer to this question is in Part 3, Chapter 1.4.7, with 7 marks available.

Generally this was well answered although some candidates only covered paid Family Leave and not unpaid. Some of the points to include were that for Defined Benefit Schemes, during a period of paid Family Leave, the member contributes based on just the pay they receive but service is treated as normal pensionable service with members not suffering any reduction in benefits. For Defined contribution Schemes the employer is required to pay contributions based on normal salary. In respect of unpaid Family Leave this would not constitute pensionable service and employee contributions cease. Some Schemes offer employees the option to pay additional contributions to cover the period of unpaid leave.

Q3. Write notes on the Financial Conduct Authority's 6 Principles of Good Regulation.

The answer to this question is in Part 1 Section 3.5.1, with 7 marks available.

Most candidates were able to list the six Principles of Efficiency and Economy, Proportionality, Senior Management Responsibility, Openness and Disclosure, and Transparency. However marks were missed by not expanding clearly or accurately on each one. For example on Openness and Disclosure the notes should refer to ensuring relevant market information about regulated persons is published, in order to reinforce market discipline and improve consumers knowledge of their financial matters. Some candidates wrote incorrectly about other Principles such as from DC governance codes.

Q4. The Pensions Regulator (TPR) has the power under section 7 of the Pensions Act 1995 to appoint pension scheme trustees in certain circumstances.

List the circumstances in which TPR might use this power.

The answer to this is covered in Part 2, Chapter 2.23, with 5 marks available.

This had a wide range of scores and a common error was to focus on the appointment of an Independent Trustee where the employer has become insolvent. Points to include were; to ensure the Trustees as a whole



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have the expertise to administer the Scheme properly, number of Trustees is sufficient for the proper administration of the Scheme and to ensure that the Scheme's assets are used and applied appropriately.

Q5.

- a) Outline the importance of effective member communications. (5 Marks)**
- b) What is good practice when communicating with members? (5 Marks)**

The answer to this is covered in Part 5, Chapter 1.7.1 and 1.7.2 of the manuals, with 5 marks available for each part.

Again there was a broad range of marks for this question. In part (a) few candidates mentioned the value of good communications as a tool for recruiting and retaining employees, or that they are a means of ensuring that relevant legislation (e.g. Disclosure Regulations) are complied with. Part (b) was better answered with points to include being, clear communication plan, tailor to audience consider needs of different categories and correct time to engage.

Q6. In corporate transactions, outline the differences between a share sale and a business sale.

The answer to this was covered in Part 4, Chapter 1.1, with 7 marks available.

In the past candidates seem to have found questions on corporate transactions difficult to answer but the majority of candidates this time demonstrated an understanding of the difference between a share sale and a business sale. Reference was made to the Sale and Purchase Agreement, that in a Business sale the buyer acquires the assets that make up the business and employees' contracts transfer to the buyer. In a Share sale the buyer buys shares in a company and there is no change of direct ownership. A good number also noted the effect of a business sale on the pension arrangements.

Q7 Briefly outline what was covered in The Equality Act 2010.

The answer to this was covered in Part 3, Chapter 1.4.5, with 5 marks available.

Whilst a number of candidates obtained the full 5 marks for this a large number struggled to get marks, so it was the least well answered question overall. Many candidates just wrote notes about non-discrimination. Very few focused specifically on the Equality Act requiring schemes to have read into them a non-discrimination rule and a sex equality rule and if the trustees did not have the power to amend their scheme to remove discrimination the Act empowered them to make the necessary amendments unilaterally by resolution.

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