



Examiners Report: Core unit 1A - Understanding Retirement Provision - April 2022

This was a 2-hour exam split between multiple-choice questions and free-format questions. Equal weighting of marks was given to both sections.

Multiple-choice questions

There were 50 questions, each correct answer being worth 1 mark. There were two types of question, as follows:

- 40 questions where candidates select one correct answer from a choice of four possible answers, and
- 10 questions where candidates are given two statements and have to determine whether both are true, the first is true and the second is false, the first is false and the second is true, or both are false.

The questions were broadly representative of the entire syllabus.

In general, candidates achieved fairly good scores on the multiple-choice questions although a little lower than in previous years.

Short answer questions

There were seven short questions where candidates were required to write their answers in free format. Candidates are encouraged to devote one hour to this part of the examination. Most candidates did not score as highly on this part of the paper as they did on the multiple-choice section.

Question 1

The 1921 Finance Act set the main tax treatment and legislative structure for UK occupational pension schemes. What were the main principles it set out? (5 marks)

Most candidates scored reasonably well on this question. They understood that contributions are exempt from tax, investments are largely exempt from tax and that pensions payable are subject to tax. Considerably fewer candidates knew that the 1921 Act requires that the scheme must be set up under trust for the sole purpose of providing annuities for former employees in retirement.

The relevant section of the study manual is Section 1, Chapter 1.4.1.



Question 2

Set out the conditions which occupational schemes must follow where providing information to members electronically. Your answer should cover

- (a) Where schemes wish to provide information in electronic form. (3 marks)**
- (b) Where schemes must make certain information available on a website. (4 marks)**

This is a topical subject with many pension schemes seeking to provide information through a medium which members prefer and which can also reduce administration costs. Some candidates misinterpreted the question as being about the disclosure regulations in general or about the merits of using electronic communications.

Some candidates scored highly. Most picked up a few marks at least noting the requirement for schemes to publish their statement of investment principles and implementation statement setting out how they have acted on their SIP on a publicly available website.

The relevant section of the study manual is Section 1, Chapter 2.4.2.

Question 3

Outline the role of the Pensions Ombudsman in considering complaints/ disputes. (10 marks)

There was a wide variation in answers from very good to very poor. The Ombudsman has an important role in considering complaints and disputes but some candidates seemed to have little understanding of this.

Most knew basic information about the Ombudsman being an independent and impartial adjudicator whose decision is final and binding on all parties and that his decision can only be changed by appeal on a point of law. Many mentioned the early resolution service which can seek to resolve complaints informally, that there is no charge for using the Ombudsman's services and that the Ombudsman deals with complaints of maladministration and disputes of fact or law.

Comparatively few mentioned that complaints could come from potential beneficiaries, by the trustees against the employer or vice versa and between trustees, and no one mentioned that the Ombudsman has no role in considering complaints about the State pension.

The relevant section of the study manual is Section 2, Chapter 1.3.

Question 4

What are the benefits and eligibility conditions of the Guarantee Credit part of Pension Credit? (6 marks)

The majority of candidates demonstrated a reasonable level of knowledge of this topic with some scoring full marks. Most knew that it is a means tested benefit and stated the amounts payable to



provide a minimum income to a single person and a couple. Few adequately described the deprivation rule where if the Department for Work and Pensions considers that someone has deprived themselves of capital, they will be treated as having income from that capital.

The relevant section of the study manual is Section 3, Chapter 1.3.

Question 5

Describe the minimum requirements for a pension scheme to be a qualifying scheme for auto-enrolment purposes. (9 marks)

Given that most candidates will need to understand how their pension scheme or their clients' pension schemes comply with auto-enrolment legislation this question was poorly answered.

Very few got beyond the basic tests for DB and DC, and of those who did attempt to describe the alternative DC tests answers were sometimes inaccurate. There was a tendency to write about auto-enrolment generally, covering material such as opting out, eligible jobholders, charging requirements and default investment funds.

The relevant section of the study manual is Section 3, Chapter 3.2.1.

Question 6

How might private sector employers design their pension arrangements to offer different arrangements to different groups of employees? (6 marks)

Results for this question were mixed, with some candidates producing very good answers and others clearly struggling. Some candidates just compared DB with DC and a number wrote about tax and social security legislation

Most candidates understood that employers might offer benefits that are more generous or a separate pension arrangements for executives. It is also possible for employers to offer different benefits to different groups of employees, for example defined contribution for one group and defined benefit to another. Employers can offer different DC contribution rates or defined benefit accrual rates to different groups of employees. A more recent trend is for some employers to offer a more generous pension scheme to certain groups of employees with a less generous arrangement, which meets the minimum to be an auto-enrolment qualifying scheme, for the rest of the workforce.

The relevant section of the study manual is Section 4, Chapter 2.3.1.



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Question 7

Outline the tax treatment of benefits from an unfunded EFRBS. (7 marks)

A small number of candidates scored highly on this question but many scored very few marks, seeming to have little knowledge of the subject. Some just focussed on historical information about FURBS and UURBS. While few employers still offer EFRBS, legacy arrangements are likely to continue to exist for some time into the future. Candidates should expect to have to answer examination questions based on any section of the study manual including those sections about legacy pension arrangements.

Where candidates gained marks it was commonly for stating that there is no tax liability on the employee on the notional cost of benefits promised and that the employer can treat payments as a business expense to reduce its corporation tax liability in the year in which it pays benefits from the arrangement.

The relevant section of the study manual is Section 4, Chapter 2.3.6.