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Core Unit 1A – Understanding Retirement Provision

Assignment 2 Notes

(Part 2 – Parties Involved)

Recommended Time: 1 Hour

1. **Write short notes which explains what the Regulator’s powers are.**

**10 Marks**

Answer should cover the following:

* Existing powers are defined in statute
* Fall into 3 broad categories
* Investigating schemes – gathers information to help identify and monitor risks.

Collects data through an annual scheme return. Receives reports of significant breaches of the law from whistle-blowers and reports of notifiable events from trustees and employers.

Trustees or scheme managers are responsible for notifying promptly of changes to registrable information and expects to receive reports where unable to comply with the scheme funding framework.

Demand relevant documents from trustees and employers. Require individuals to attend interviews and inspect premises.

* Putting things right – take action to protect security of member’s benefits

Improvement notices

Recover unpaid contributions from employer

Freezing order to temporarily halt all activity where wind-up is pending

Impose a schedule of contributions

Prohibit a trustee from the role of trustee

Prosecution of certain offences.

* Acting against avoidance – issue the following:

Contribution notices – deliberate attempt to avoid a statutory debt

Financial support directions

Restoration orders – assets restored to scheme if sold undervalued.

* Clearance procedure for anyone who wishes to confirm that they will not be subject to either a contribution notice or a financial support direction.

(Relevant section of the manual is Part 2 Chapter 1.1.1)

1. **Outline the role of the Financial Conduct Authority.**

**5 Marks**

Answer should cover the following:

* Responsible for regulating the standards of conduct in financial markets and for supervising the infrastructure that supports those markets.
* To secure an appropriate degree of protection for consumers
* To protect and enhance the integrity of the UK financial system
* To promote effective competition in the interests of consumers.

(Relevant section of the manual is Part 2 Chapter 1.2)

1. **Explain the importance of Pension Wise.**

**5 Marks**

Answer should cover the following:

* Launched by the government in April 2015 as a free and impartial guidance service to help those over 50 with DC pensions
* Now delivered through MoneyHelper, providing telephone guide and face-to-face appointments as well as online information
* New rules from 1 June 2022 – member has flexible benefits and applies to transfer or start receiving benefits, trustees must refer them to Pension Wise
* New measures are referred to as a stronger nudge
* Also apply to FCA-regulated pension providers.

(Relevant section of the manual is Part 2 Chapter 1.4.2)

1. **Outline the eligibility criteria for the Financial Assistance Scheme and the compensation it may award.**

**10 Marks**

Answer should cover the following:

* The scheme, must in most cases, have started to wind up between 1 January 1997 and 5 April 2005.
* Some special circumstances in which schemes could qualify if winding up commenced before 27 March 2014.
* Originally the employer must be insolvent or no longer exist or a compromise agreement had been reached.
* Eligibility widened to include underfunded schemes where there was no employer debt at the time wind up commenced.
* Members are eligible as are surviving spouses or civil partners who died after the scheme started to wind up.
* Compensation similar to PPF – member’s pensions will receive 90% subject to a cap.
* Payable from NRA although can apply for early retirement on ill-health grounds but only up to 5 years before NRA.
* Compensation reduced for early payment.
* Any pension accrued after 6 April 1997 will be increased each year by CPI capped at 2.5 per annum.

(Relevant section of the manual is Part 2 Chapter 1.8.2)

1. **Trustees of occupational pension schemes will appoint a number of different advisers to assist them in the running of their scheme. Outline the roles required of a Legal Adviser, an Investment Adviser and an Actuary.**

**15 Marks**

Answer should include the following:

Legal Adviser

* This role includes advising the trustees on their legal duties and responsibilities,
* Advising the trustees on the legal and regulatory requirements that apply to their scheme,
* Advising the trustees on the interpretation of the scheme’s governing documentation,
* Drafting any changes that need to be made to the scheme’s trust deed and rules and other documents such as deeds of appointment and removal of trustees,
* Drafting documents such as recovery plans, merger agreements and contingent asset agreements,
* Advising on the legal aspects of corporate transactions and drafting the sale and purchase agreement,
* Advising on disputes in relation to the scheme.

Investment Adviser

* Role includes giving updates to clients on the short and long-term performance of their scheme assets,
* Advise on the most appropriate asset allocations for scheme assets,
* Review long-term investment strategies on an annual / 3-year basis,
* Research, monitor and recommend a range of high-quality investment managers,
* Co-ordinate and manage the transfer of assets,
* Provide training for trustees to introduce them to advanced investment concepts.

Actuary

* Role includes assessing the funding position of the scheme,
* Preparing the triennial actuarial valuation, the interim funding reports and advising on the terms of the funding arrangements for the scheme, including the suitability of the scheme’s schedule of contributions and recovery plan (if any),
* Advising the trustees on the methods and assumptions that should be used to set the scheme’s technical provisions,
* Calculating members’ benefit entitlements (including ill health pensions, early/late retirement pensions and cash equivalent transfer values),
* Advising the trustees on the assumptions that should be used to calculate transfer values,
* Calculating any ‘section 75’ debts on the employer that become payable in respect of the scheme usually when an employer becomes insolvent, the scheme winds up, or in the case of a multi-employer scheme, when one of the employers is deemed to have ceased to participate in the scheme.

(Relevant section of the manual is Part 2 Chapter 1.18.1, 1.18.2 & 1.18.3)

1. **When appointing an Investment Manager, list 5 things that should be included within the terms of the engagement.**

**5 Marks**

Answer should include 5 of the following:

* The trustees’ investment objectives,
* Particular market restrictions,
* Particular investment restrictions,
* Warnings of investments that are difficult to realise,
* Details of how to terminate the agreement,
* Arrangements for communicating with the trustees,
* Special warnings where investment is made in futures and options; and
* Special rules for portfolios managed on a discretionary basis.

(Relevant section of the manual is Part 2 Chapter 1.20)