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

**Assignment 5 Notes**

(Part 6 – Special Situations)

Recommended Time: 1 Hour

1. **Summarise the information trustees must provide to members during the process of winding up a scheme.**

Answer should cover:

* Must issue notice informing all members and beneficiaries, in writing and within 1 month of commencement of wind up, to include:
  + reasons scheme is being wound up;
  + statement to active members on whether death benefits will continue to be provided;
  + whether an independent trustee has been appointed (generally DB only);
  + name and address for further enquires;
* Must issue progress report to members at least every 12 months thereafter, to include:
  + action being taken to recover any assets not immediately available;
  + estimated date when final details of members’ benefits are likely to be known;
  + extent (if any) to which value of member’s benefits likely to be reduced.

Relevant section of the manual is Part 6 Chapter 2.2.

**5 marks**

1. **Outline the objectives and responsibilities of “MoneyHelper”.**

Answer should cover:

* Financial Guidance and Claims Act 2018 - legislative framework for the creation of a new single financial guidance body;
* formerly known as the Money and Pensions Service (MaPS), rebranded in 2021 as MoneyHelper;
* includes services of the Money Advice Service, Pension Wise and The Pensions Advisory Service;
* Objectives:
  + to improve the ability of members of the public to make informed financial decisions;
  + to support the provision of information, guidance and advice in areas where it is lacking;
  + to secure that information, guidance and advice is provided to members of the public in the clearest and most cost-effective way;
  + to ensure that information, guidance and advice is available to those most in need of it, bearing in mind in particular the needs of people in vulnerable circumstances, and
  + to work closely with the devolved authorities for the provision of information, guidance and advice to members of the public in Scotland, Wales and Northern Ireland;
* MoneyHelper also responsible for ensuring providing (on a free and impartial basis:
  + information and guidance on matters relating to occupational and personal pensions - must cover supporting members and survivors in making decisions as to how to take flexible benefits
  + information and advice on debt, and
  + information and guidance designed to enhance people’s understanding and knowledge of financial matters and their ability to manage their own financial affairs.

Relevant section of the manual is Part 6 Chapter 3.3.2.

**10 marks**

1. **In relation to tax, what is a “UK relevant individual”, and how does this status affect the contributions being made to UK registered pension scheme by an employee who is on a short term overseas assignment?**

Answer should cover:

* UK relevant individual for a tax year if any of the conditions met:
  + they have ‘relevant UK earnings’ chargeable to Income Tax for that tax year;
  + they are resident in the UK at some time during that tax year;
  + they were resident in the UK at some time during the five tax years immediately before the tax year in

question and were also resident in the UK when they joined the pension scheme

* + they have, or their spouse or civil partner has, general earnings from overseas Crown employment

subject to UK tax for that tax year;

* UK tax relief is only available on any pension contributions made where the individual is a

‘relevant UK individual’ for the tax year in which the contribution is paid.

Relevant section of the manual is Part 6 Chapter 1.1.

**5 marks**

1. **Outline the issues faced by pensioners of a scheme who are resident overseas, and the tax treatment of their benefits and pension in payment when they retire from the scheme.**

Answer should cover:

Issues:

* which country’s social security system the member belongs to:
* in which currency should the pension be paid;
* trustees may insist overseas pensioner maintains UK bank account to receive payments in sterling;
* where payments converted into overseas currency, associated commission costs may or may not be deductible from the member’s pension – depends on the rules of the scheme;

Tax Treatment:

* enhancements to the LTA due to periods of non-UK residency must be taken into account when testing the benefits against available LTA.;
* scheme must provide member with a statement of % of standard LTA used up under the scheme, within three months of the BCE and annually thereafter, until member attains age 75;
* if LTA charge is payable, Scheme Administrator must provide member with details of:
  + the chargeable amount;
  + how it was calculated;
  + what the tax charge was;
  + whether it has been paid;
* Usually, payment of pensions to a foreign country is permitted;
* Double Taxation Agreements (DTAs) ensure that pensions are not taxed twice;
* DTAs exist between most industrialised countries covering salaries, dividends, royalties and other payments including pensions;
* In most cases, but not all, the pension is paid gross from the country where the scheme is located and is taxable in the country where it is received.

Relevant section of the manual is Part 6 Chapter 1.5.

**10 marks**

1. **Outline the levels of compensation applicable provided to members once a scheme enters the Pension Protection Fund.**

Answer should cover:

* Members over NPA/in receipt of ill-health or survivor’s pension - 100% of pension payable;
* Other members:
  + 90% of accrued benefits, subject to cap:
* Cap depends on age and length of pensionable service at date benefits commence:
  + service of 20 years or less – maximum £37,315 p.a. at 65, £31,275 p.a. at age 60 (year cg 1/4/21);
  + benefits comprise of pension and the pension equivalent of any separate cash sum;
  + service of 21 years or more - cap increased by 3% per complete year of pensionable service above 20 years, up to a maximum of double the standard compensation cap;
* Pensions increases - LPI indexation, capped at 2.5%, on benefits accrued from post 5/4/97 service;
* Spouse’s benefit payable on death of pensioner.

Relevant section of the manual is Part 6 Chapter 2.8.2.

**5 marks**

1. **Briefly explain the ten steps in the Government’s “10 Steps to Cyber Security”.**

Answer should cover:

* Risk Management – embed appropriate risk management regime across pension scheme;
* Secure Configuration – apply security patches & ensure secure configuration of all systems

maintained;

* Network Security – protect network from attack by filtering out unauthorised access/malicious content;
* Managing User Privileges – establish effective management processes and limit the number of

privileged accounts and user privileges;

* User Education and Awareness – produce user security policies covering acceptable and secure use

of systems, and maintain awareness of cyber risks and provide regular staff training;

* Incident Management – establish incident response and disaster recover policies and procedures;
* Malware Prevention – implement appropriate anti-malware policies as part of an overall defence;
* Monitoring – establish a monitoring strategy and produce supporting policies;
* Removable Media Controls – produce a policy to control all access to removable media;
* Home and Mobile Working – establish risk-based policies and procedures that support mobile working

or remote access to systems.

Relevant section of the manual is Part 6 Chapter 3.3.8.

**10 marks**

1. **List the activities that would typically be carried out in relation to data cleansing, during the winding up of a pension scheme?**

Answer should include 5 from the following:

* trustees check the accuracy of the scheme data;
* ensure they have not overlooked anyone who is (or will be) entitled to benefits from the scheme;
* trace any members for whom they do not hold a current address;
* advertise in a local paper and the London Gazette to seek any missing beneficiaries;
* specification of benefits for buyout/Pension Protection Fund (PPF) purposes must be agreed with the trustees;
* administrator requests missing data from the company or insolvency practitioner;
* obtain notification of leaving forms all active members of the scheme;
* check records to ensure that full details of all members’ addresses and benefit entitlements are held.

Relevant section of the manual is Part 6 Chapter 2.6. **5 marks**