Defined Contribution Arrangements

Assignment 2 Notes

*(Part 2 – Administration of Workplace Defined Contribution Schemes) Recommended Time: 3 hours*

# You are the Secretary to the Trustees, and you have been asked to put a paper together on the Pensions Regulator (TPR). In this paper, include TPR’s role, objectives and powers, the whistleblowing requirements and how it provides assistance to trustees.

**20 marks**

Format: Report, title/heading, contents, summary, main text, conclusions Style: Formal

Answer should cover:

* + Under the Pensions Act 2004 to monitor and regulate workplace pension schemes in the UK.
	+ TPR’s role and objectives including assessing risks to members’ benefits. To protect members’ benefits and promote good standards of scheme administration. It also aims to ensure that the trustees/managers of a pension scheme act in the best interests of members and in line with the law.
	+ Compliance and audit regime. TPR has produced detailed guidance with regard to regulating pension provision to help trustees/managers, employers and members to better understand their role and the importance of pensions.
	+ Information gathering, scheme returns and other sources. Such as financial information such as stock market performance and the problems and trends within specific sectors of industry or pension schemes in general.
	+ Whistleblowing breaches of the law and who the whistleblowing requirements apply to. Such as the trustees, their advisers and service providers including administrators and fund managers. Managers of schemes not set up under trust.
	+ List of TPR’s Codes of Practice such as reporting breaches of the law, notifiable event, early leavers, funding defined benefits, internal controls, Trustee Knowledge and understanding and modification of subsisting rights.
	+ Powers of TPR such as making sure that money stolen from a scheme is returned, imposing civil penalties, and ordering an employer to pay any shortfall or late contributions to a scheme.

(The relevant section of the Study Manual is Part 2, Chapter 1.2)

# Briefly explain the scheme registration process and what information is required in order to register a new scheme.

**10 marks**

Answer should cover:

* + Registration of schemes using the Manage and Register Pension Schemes Online Service
	+ Schemes established from 6 April 2006 must register online for ax relief using HMRC’s online portal.
	+ October 2013 HMRC made several changes to the registration process to deter pension scams and safeguard pension savings.
	+ HMRC’s approval process and relevant deadlines such as if a decision has not been made within 6 months of getting the application, it is possible to appeal to a tribunal. In some cases, HMRC may also need to inspect certain documents. Where they do, they will usually send a written notice at least 7 days before the visit
	+ Reasons for refusal outlined in the Finance Act 2014 such as the Scheme Administrator is not a fit and proper person to fulfil that role.
	+ Details of the declarations made by the Scheme Administrator upon registration (The relevant section of the Study Manual is Part 2, Chapter 1.1.1)

# You are the Pensions Manager for the DEF Defined Contribution Scheme and a member who has exceeded the Annual Allowance has written to you to enquire about Scheme Pays. He has also heard about the Money Purchase Annual Allowance in the news and has asked for some information about that. Prepare a letter to the member.

**20 marks**

Format: Letter, with correct salutation and appropriate introduction

Style: simple language conveying technical information with minimal jargon. Answer should cover:

* + When the Annual Allowance charge arises and what the charge is levied on
	+ How the charge is normally paid (Self-Assessment return)
	+ Conditions for mandatory scheme pays.
	+ How Scheme Pays works if there is a Tapered Annual Allowance
	+ Irrevocable elections and deadlines
	+ How benefits are reduced to take account of Scheme Pays
	+ When the scheme pays the tax charge
	+ Taxation of Pensions Act 2014
	+ What is the MPAA, why it was introduced and when it was reduced?
	+ List of circumstances when MPAA is triggered.
	+ MPAA triggered in another scheme.
	+ Interaction with total pension savings i.e., alternative Annual Allowance for DB savings
	+ Carry Forward
	+ Exemptions from the AA test

 (The relevant section of the Study Manual is Part 2, Chapter 2.2.9)

# Briefly describe what is involved from an administrative perspective for each of the seven steps of the contribution cycle.

**20 marks**

Answer should cover each of the seven steps, listed below, with a brief description of the main features of each of the steps.

* + Payment. Schedules should identify the AVCs per employee, the amount of contribution paid by each employee, any new joiners, and leavers etc.
	+ Checking/reconciling contributions. Have schedules been provided, does the total amount remitted agree with the schedules provided, are there any leavers not previously notified etc.
	+ Switches. Investment switches are a core financial transaction and as such there is a legal requirement for these to be done promptly and accurately.
	+ Forwarding. Contributions should be allocated by each fund and fund manager, and monies forwarded.
	+ Contract notes. Detailing the date invested, the amount of money received, the funds in which it was invested etc.
	+ Allocation Once the contract note is received, the administrator should process ‘buying ‘units on the system and allocating them to each individual member.
	+ Reporting/reconciling units purchased. A report should then be run to check that the total units purchased on the system equals the number of units bought by the fund manager.

(The relevant section of the Study Manual is Part 2, Chapter 2.5.4)

# You are the Scheme Accountant for the GHI Defined Contribution Scheme. Write some notes for a new trainee member on your team on the following:

1. **The contents of the Trustees Annual Report and Accounts**
2. **Auditing requirements**

**20 marks**

Format: Introductory Paragraph, detailed information of each subject area, summary Style: Formal, detailed and assuming no knowledge of the subject

Answer should cover:

* + Background - disclosure and audit regulatory requirements for the Annual Report and Accounts
	+ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.
	+ List of what goes in the Annual Report and Accounts and separate list of what goes in the Trustees’ Report.
	+ Short description of the Investment and Auditor’s Report and the Financial Statements
	+ Requirement to have an auditor to provide audited accounts.
	+ Appointment/removal of an auditor
	+ List of schemes that do not need an auditor.
	+ The standard audit opinion
	+ What happens during an audit, sampling techniques?
	+ Audit trails and their importance

(The relevant section of the Study Manual is Part 2, Chapter 1.7)

# Outline the impact of the Money Laundering Regulations introduced in June 2017 on pension schemes.

**10 marks**

Answer should cover:

* + Trust Registration Scheme (TRS) service and when this should be used.
	+ Reportable tax liabilities Including income tax, capital gains tax, inheritance tax, Stamp Duty Land or Reserve Tax and Scottish land and buildings transaction tax
	+ Details of the circumstances whereby a scheme does not have to register as a trust. Such as where the scheme administrator only pays UK income tax due to the deduction of tax from a pension or a lump sum through the PAYE system, joint liability for payment of a lifetime allowance or overseas transfer charge etc.
	+ Record keeping and maintenance. Need to keep records of the trustees, an individual who has control over the trust, active, deferred and pensioner members, any other individuals benefiting from the trust, and any individual who has control over the trust,

(The relevant section of the Study Manual is Part 2, Chapter 1.4)