

Examiners Report: Core Unit 2- Regulation of Retirement Provision, October 2022

Summary

It is the view of the Examiners that some candidates provided background information that was beyond the scope of the questions set out in the examination.

In addition to commentary on the October 2022 questions below, general guidance for candidates who did not achieve high marks is provided at the end of this report. The Examiners would like to highlight to candidates the importance of exam technique and understanding exactly which parts of the Study Manuals will be examined and should therefore be learned accordingly.

Question 1

A bulk transfer of the assets and liabilities of a scheme into another scheme can be achieved in two ways. Draft a briefing paper that explains how "Transfers without members' consent" can proceed

(10 marks)

- A wide range in the standard of answers, with some candidates having shown a very good understanding and therefore scored high marks, whilst others provided insufficient detail and therefore lost valuable marks
- Candidates understood that the trust deed and rules need to permit transfers without members' consent and had some knowledge of the need for the appropriate actuarial certification.
- However, few candidates made reference to the matters the actuary must take into account in considering whether the benefits in the receiving scheme can be certified as "no less favourable".
- Relatively few candidates mentioned that although consent is not required, members must still be given full information about the transfer at least one month before it takes place. A number gave detail about transfers with the consent of the member which was outside the scope of the question.

The relevant section of the study manual: Part 4 (Corporate Transactions, Purchases, Sales and Mergers), Chapter 1.9.1 (Page 122)

Question 2

Explain the three main offences under the Proceeds of Crime Act (POCA) and what trustees should do if they suspect money laundering

(5 marks)



- Generally well-answered question
- Most candidates were aware that trustees need to make a suspicious activity report to the NCA if they suspect money laundering activity. A number of candidates presented fairly generalised answers on steps that trustees can take to reduce instances of money laundering and scams.
- However, several candidates were very vague about the offences under the POCA and therefore lost marks
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The relevant section of the study manual: Part 3 (Other Relevant Areas of Law), Chapter 1.6 (Page 98)

Question 3

Implementing an effective risk management strategy helps identify risks before they escalate. Outline the areas that would normally be covered within a risk management framework

(10 marks)

- This question was very-well answered by most candidates.
- Most candidates were able to cover most of the points, and therefore attained high marks.

The relevant section of the study manual - Part 5 (Governance Requirements), Chapter 1.6 (Page 139)

Question 4

Prepare a note on the "Post-2006 tax regime" for Employer Funded Retirement Benefit Schemes (EFRBS). Your note should also outline the main taxation features of EFRBS

(10 marks)

- The quality of answers to this question were mixed.
- Candidates who had studied this section of the study manual scored highly
- Several candidates had very little knowledge of the taxation position of an EFRBS, missing some fairly basic points such as the fact that the Annual and Lifetime Allowances do not apply to EFRBSs.
- Some candidates provided brief answers that lacked detail. Candidates should be aware that an answer comprising just one or two sentences is unlikely to be sufficient for a question with ten available marks.



The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 1.6.1 (Pages 15-16)

Question 5

Question Number 5: Describe some of the areas of UK pension law which are currently subject to EU law

(10 marks)

- Few candidates were able to achieve high marks, which was disappointing.
- There are several areas of UK pension law currently subject to EU laws but very few candidates identified all of them.
- Equal treatment and data protection were generally mentioned, and a number referenced the PPF. However, few candidates made reference to GMP equalisation, the TUPE requirements or the impact of the IORP on scheme funding or investment.

The relevant section of the study manual - Part 6 (Current Issues), Chapter 3.1 (Page 157)

Question 6

Question Number 6: List the commonly included provisions in the 'Definitive Trust Deed or Rules: administration of scheme'

(5 marks)

- This question was focused specifically on the "administration of the scheme" provisions within a typical definitive trust deed and rules.
- Unfortunately, several of candidates wrote about provisions which would be found more generally within the definitive trust deed and rules such as eligibility and the scheme's benefits structure, and therefore were not awarded any marks.

The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapter 3.1 (Page 76)

Generally, candidates are reminded to:

- Candidates should ensure they understand the structure of the course and CU2 syllabus
- Read questions carefully to determine which area of the study manual is being examined.
- Take note of instructive words given in the question – for example “list” indicates that a list of key items is required, rather than a block of descriptive text.
- Note that the number of marks available can be used to indicate the level of detail required in an answer.
- Take advantage of any bonus marks available.
- Avoid spending too much time providing information which has not been asked for, or which is not described in similar detail in the Study