



ADVANCE DIPLOMA IN RETIREMENT PROVISION- EXAMINERS' REPORT

OCTOBER 2023

The Autumn series of the Advanced Diploma in Retirement Provision (ADRP) exams took place in October 2023. For this series of examinations, we had 179 entrants across all 8 exam units, out of which 48 learners passed the exam(s). Overall, the pass rate is 27 % which is much lower than previous ADRP exam sittings.

The table below provides a detailed breakdown and summary of the key statistics related to the October 2023 ADRP examinations.

| Exam unit | Pass mark | Exam scripts Received | Pass | Fail | Success rate % |
|--|------------------|------------------------------|-------------|-------------|-----------------------|
| Core unit 1A - Understanding Retirement Provision | 65 | 45 | 6 | 39 | 13% |
| Core Unit 1B -Foundation in International Employee Benefits | 65 | 20 | 0 | 20 | 0% |
| Core Unit 2- Regulation of Retirement Provision | 65 | 32 | 7 | 25 | 22% |
| Core Unit 3 - Running a Workplace Pension Scheme | 65 | 9 | 4 | 5 | 44% |
| Core Unit 4 -Financing and Investing for Retirement Provision | 65 | 11 | 3 | 8 | 27% |
| Defined Benefit Arrangements | 55 | 17 | 7 | 10 | 41% |
| Defined Contribution Arrangements | 55 | 19 | 9 | 10 | 47% |
| Professionalism & Governance | 55 | 26 | 12 | 14 | 46% |
| Total | | 179 | 48 | 131 | 27% |

Please scroll through the report to see the examiners comments for each exam units.



Core Unit 1A – Understanding Retirement Provision (UK)

This was a 2-hour exam of 10 essay questions. There were a mix of questions requiring a shorter answer, giving 5 to 10 marks, and questions requiring a more detailed answer, giving up to 20 marks.

Questions may be set on any part of the syllabus and so candidates should read all parts of the study manual.

When preparing for exams, candidates are encouraged to review past Examiner reports and should also bear in mind that questions may be set on subject areas which have been covered in previous sittings of this examination.

Question 1

List the statutory objectives of the Pensions Regulator. **(5 marks)**

Candidates needed to state TPR's specific 5 statutory objectives. Unfortunately some candidates wrote about some of the duties of the Regulator such as investigating schemes, taking action against avoidance and issuing codes of practice. As a result while many candidates scored maximum marks others scored poorly.

The relevant section of the study manual is Section 2, Chapter 1.1.

Question 2

Describe the role of the scheme actuary to a defined benefit pension scheme. **(10 marks)**

This question has been set before. While some candidates did score highly, many did not. Many candidates understood the actuary's role in assessing the funding position of the scheme, preparing the triennial actuarial valuation and calculating benefits, but few made reference to interim funding reports, the recovery plan where a scheme has a funding deficit or to calculating any section 75 debt on an employer.

The relevant section of the study manual is Section 2, Chapter 1.18.3.

Question 3

Outline the main terms for eligibility to contribute to and withdraw money from a Lifetime ISA. **(12 marks)**

Most candidates picked up some marks here though very few covered all of the points outlined in the study manual. Candidates commonly knew that it can be used to buy a home, but fewer



mentioned the £450,000 purchase price limit and very few stated that this can be done after the account has been open for 12 months. Many could not accurately state the minimum and maximum ages to open an account or to pay into one. Most candidates knew that it can be used for retirement savings but fewer stated that savers must wait until age 60 before being able to withdraw retirement savings without penalty.

The relevant section of the study manual is Section 1, Chapter 2.3.1.

Question 4

State the key features of self-invested personal pensions. **(5 marks)**

This question was not well answered. While many candidates knew that SIPPs allow members to choose their investments from a wide range, few mentioned what those investment options might be. Few candidates mentioned that SIPPs are a popular and traditional vehicle for income drawdown even though the relevant section of the study manual (Section 4, Chapter 2.3.7) is headed "SIPPs and Income Drawdown".

Question 5

Identify the problems and solutions for low earners to receive tax relief on their pension contributions. **(10 marks)**

This was a topical issue which has now been addressed by Government. Many candidates struggled to describe the 2 ways in which tax relief can be given on pension contributions (net pay arrangement and relief at source). Very few candidates mentioned the Government's solution of HMRC paying top ups to low earners in schemes operating the net pay arrangement.

The relevant section of the study manual is Section 4, Chapter 3.8.

Question 6

State the main eligibility conditions and benefits of contributory Employment Support Allowance. **(8 marks)**

A few candidates scored well on this question but others failed to score any marks at all. ESA is paid to those who have limited capacity to work because of illness or disability. It is not means-tested but claimants must have paid sufficient National Insurance contributions to be eligible. There are 2 different rates payable, depending on a work capability assessment.

The relevant section of the study manual is Section 3, Chapter 2.2.3.



Question 7

Give the controls on charges for defined contribution schemes which have been introduced since 2015. **(7 marks)**

Several controls have been introduced in recent years. Some candidates scored highly, mentioning the 0.75% per year charge cap on default funds in an auto-enrolment qualifying scheme, the ban on member-borne charges and commission, the ban on active member discounts and the fact that no flat fee can be charged where a pot value is below £100. Many candidates mentioned the 0.75% charge cap on default funds but few of the other controls.

The relevant section of the study manual is Section 3, Chapter 3.2.5.

Question 8

Outline the principal characteristics of a Career Average Revalued Earnings scheme with a worked example. **(15 marks)**

This question has been asked before and many candidates were able both to outline the main characteristics of a CARE scheme and give a worked example. Few mentioned that the details of the elements of calculations (accrual rate, scheme anniversary, pensionable salary, revaluation rate) are defined in the scheme rules. Several candidates incorrectly wrote that the revaluation rate is applied to the first year's pension build up at the end of the first year when it is not applied until the end of the second year.

The relevant section of the study manual is Section 4, Chapter 2.1.3.

Question 9

Define the following types of workplace pension

- (a) Master trust (b) Stakeholder (c) Occupational scheme (d) Group Personal Pension Plan.

(20 marks)

Candidates tended to score well on the sections on master trusts and occupational pension schemes, less well on group personal pensions and very poorly on stakeholder schemes. On GPPs they should have stated that these are collections of individual personal pensions taken out with the same provider for employees of one particular company or associated group of companies. They may offer better terms because of economies of scale and can be employer branded. On stakeholders candidates commonly wrote about it being compulsory for employers with 5 or more employees to offer before auto-enrolment duties replaced this requirement. Few mentioned the features of stakeholders such as the cap on annual management charges, the minimum contribution being no more than £20, that they must accept transfers in and cannot charge for transfers out and that they must have a default investment option.

The relevant sections of the study manual are Section 4, Chapters 1.1, 1.2.2, 1.2.7 and 2.3.2.



Question 10

Give details of how qualifying years before April 2016 are taken into account for the new State pension. Your answer should include how this impacts on the State pension that can be built up from April 2016 onwards.

(8 marks)

Some candidates did manage to score highly but most candidates found this to be a challenging question. Commonly candidates just described the State pension as it existed before 2016 and the new State pension which was introduced in 2016 without considering how a person's pension is calculated if they built up pension both before and after 2016. They should have stated that a comparison is made between the total of basic State pension and SERPS/ S2P built up before April 2016 with what would have been built up if the new State pension rules had applied to those same qualifying years before April 2016. The greater of the 2 becomes an individual's Starting Amount. If the Starting Amount is lower than the new State pension at its full rate then the individual can build up more qualifying years after April 2016 until they build up a new State pension. If the Starting Amount is greater than the full new State pension then the individual cannot build up more State pension after April 2016.

The relevant section of the study manual is Section 3, Chapter 1.4.



Core Unit 1B – Foundation in International Employee Benefits

It is the view of the Examiners that Candidates found this to be a challenging paper.

The Examiners were concerned to note that several Candidates were only able to provide short and/or generic answers to the long form questions. Unfortunately, the overall quality of the scripts this time around was poor and Candidates struggled to obtain the score necessary to merit a pass.

The Examiners were pleased to note some Candidates provided answers that covered the specific detail requested from the relevant section of the study material.

In addition to commentary on the October 2023 questions below, general guidance for Candidates is provided at the end of this report.

Question 1

As the International Benefit Manager, draft a note on the 'Funding of Retirement Benefits'. Your note should set out the reasons why a pool of assets backing the benefit promises built-up is becoming more widespread.

(10 marks)

- Unfortunately, several Candidates spent time describing the various methods of funding retirement benefits, which was not asked for in the question. Candidates missed the key instruction in the question, which was to set out the reasons why a pool of assets backing the benefit promises built-up is becoming more widespread.
- Candidates who set out the reasons why a pool of assets backing the benefit promises built-up is becoming more widespread achieved higher marks.

Study Manual: Part 4 (An overview of Key Employee Benefits), Chapter 1.4 (Page 32)

Question 2

Describe the 'Retirement Benefits', 'Survivors Benefits' and 'Vesting Rights' under Group Insurance/Pension Plans (BVG, 2nd Pillar) in Switzerland.

(20 marks)

- This question was poorly answered.



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- To score well, Candidates needed to recall the relevant points on 'Retirement Benefits', 'Survivors Benefits' and 'Vesting Rights' under Group Insurance/Pension Plans (BVG, 2nd Pillar).
- Unfortunately, answers from most candidates lacked the relevant detail.

Study Manual Section - IGP Country Profiles - Switzerland (Page 13 & 14)

Question 3

Draft a report on Long Term Care Insurance in Japan, outlining the individuals Insured, Benefits and Contributions

(20 marks)

- This question was also poorly answered.
- This question required Candidates to recall the specific detail on Long Term Care Insurance provided in the IGP Country Profile for Japan.
- Unfortunately, answers from most candidates lacked the relevant detail.

Study Material Section - IGP Country Profiles - Japan (Page 11-12)

Question 4

Draft a paper that explains the role of the EU in formulating social and economic policy. Your paper should cover how effect is being given to EU objectives and the notable features of employment legislation already adopted across the EU.

(15 marks)

- Candidates demonstrated some good general knowledge regarding the EU.
- However, to score high marks on this question, it was necessary to tailor the answer to cover *how effect is being given to EU objectives and the notable features of employment legislation already adopted across the EU* as described in the relevant section of the study material.

Study Manual Section - Part 12 (The European Union), Chapter 1.4 (Page 194)



Question 5

As the International Benefits Manager for the XYZ scheme, you will work closely with the finance function. Draft a briefing paper that summaries the specific tasks of the finance function.

(10 marks)

- Most Candidates were able to pick out some of the key points from the relevant section of the Study Manual.
- Candidates who provided the relevant details were able to achieve the highest marks.

Study Manual: Part 7 (The role of different parties involved in the provision of International Employee Benefits), Chapter 5.2.2 (Page 107)

Question 6

Describe the "EET" pension taxation system in Europe and North America.

(5 marks)

- This question was well answered with most Candidates achieving high marks.
- Some Candidates missed out on marks available for giving a basic definition of "EET" as detailed in the Study Manual.

Study Manual Section - Part 11 (Regional Round-Up: Europe and North America), Chapter 1.2.2 (Page 181)

Question 7

Describe the key roles and tasks of the local plan actuary.

(20 marks)

- Most Candidates were able to identify some good key points and were awarded the relevant marks.
- Candidates who provided short or generic answers missed out on vital marks.

Study Manual: Part 7 (The role of different parties involved in the provision of International Employee Benefits), Chapter 9.2 (Pages 117-118)

Generally, Candidates are encouraged to:

- Ensure an understanding of the structure of the course and CU1B syllabus, noting that exam questions can be set on all of the examinable material. This includes the Study Manual; the IGP Country Profiles <https://www.igpinfo.com/igpinfo/igpadvantage/countryprofiles.php> and



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Eversheds Guides <https://www.eversheds-sutherland.com/global/en/what/practices/labour-employment-law/employment-app/interactive-guides.page>

- Read questions carefully to determine to which area of the study material is being examined, and also what the question is asking you to focus on e.g. “taxation”, “methods of funding” etc.
- Avoid spending too much time providing information which has not been asked for, or which is not described in similar detail in the study material.
- 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 of the number of marks available can be used to indicate the level of detail required in an answer.
- Be aware that long form questions can be set to test detailed technical or country specific knowledge and to prepare accordingly.
- Candidates are advised to check the number of marks available for each question and use this as a guide to the level of detail required.
- Remember to include any dates, limits and figures detailed in the relevant section of the study material to add sufficient detail to your answer to score full marks.
- Take advantage of any bonus marks available for format.
- An important part of the CU1B syllabus is to test Candidates’ knowledge of benefits in different countries, and much country specific information is given in the study material. Where a particular country or jurisdiction is specified within a question, higher marks will usually be achieved by providing information from the section that is specific to that country rather than generic information on the topic from another area of the study material.



Core Unit 2 – Regulation of Retirement Provision

It is the view of the Examiners that the scripts marked during this exam sitting were generally of a poor quality when compared against previous exam sittings.

In addition to commentary on the October 2023 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

Prepare a briefing paper that explains 'Age Discrimination'. Your paper should also cover some of the exemptions, why they do not cover all aspects of occupational pension schemes and how the exemptions apply to workplace personal pension schemes.

(20 marks)

- Most candidates were able to identify some or most of the areas in which pension schemes can apply age-related provisions but beyond that most candidates struggled with this question.
- Very few candidates were able to provide the required information to obtain full marks. Most candidates were unable to make references to the Equality Act 2010 or to the fact that a non-discrimination rule is implicit in the rules of pension schemes. Also, very few candidates made reference to age-related contributions in DC schemes.

The relevant section of the study manual: Part 3 (Other Relevant Areas of Law), Chapter 1.4.4 (Page 95)

Question 2

GMP equalisation impacts pension schemes in a variety of ways. Explain how this affects Schemes entering the Pension Protection Fund (PPF).

(5 marks)

- Most candidates noted that schemes needed to equalise GMP benefits and scored the relevant marks.



- However, few candidates stated that this was in respect of pensionable service after 17 May 1990 and very few referred to the PPF having developed methodology for schemes to implement prior to them entering the PPF.

The relevant section of the study manual: Part 6 (Current Issues) Chapter 1.2.7 (Page 149)

Question 3

Describe the significant changes brought about by the Financial Services Act 2012 that impacted on the role of the Bank of England in this area

(10 marks)

- This question was poorly answered.
- Candidates were able to identify the creation of the Prudential Regulation Authority, and some candidates were able to describe its objectives. However, few candidates were able to reference the Financial Policy Committee, or the additional powers given to the Chancellor of the Exchequer by the Act.
- Several candidates instead wrote in general terms about the function of the Bank of England and some also described the Financial Conduct Authority, and therefore missed out on relevant marks.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 4.2.2 (Page 38)

Question 4

Prepare slides for your Finance Director that explains 'Statement of Investment Principles (SIP)'.

(10 marks)

- This was a straightforward question about SIPs but relatively few candidates were able to identify the subjects that should be included in a SIP and therefore lost out on available marks.
- Very few candidates mentioned that a SIP is compulsory where the scheme has more than 100 members or that it must be reviewed every 3 years or without delay after a significant change in investment policy.
- Many candidates failed to present their answer in the form of slides and therefore missed out on available marks.



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The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapter 2.11.4 (Page 63)

Question 5

Prepare an email for the Financial Director that explains:

- a) Tax Charges on Unauthorised Payments **(10 marks)**, and
- b) Excepted Group Life Schemes **(10 marks)**

- First part of the question was generally answered very well with most candidates demonstrating a clear understanding and good knowledge.
- Second part of the question was not as well answered as the first part, although some candidates did score highly.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 1.5.1 (Pages 14-15) and Chapter 1.6.3 (Page 18)

Question 6

Explain the advantages and disadvantages of a bundled arrangement.

(10 marks)

- Well answered question.
- Most candidates were able to identify some advantages and disadvantages of bundled arrangements.

The relevant section of the study manual - Part 5 (Governance Requirements), Chapter 1.2.5 (Page 133)

Question 7

Draft a report that explains the difference between a share sale and a business sale

(10 marks)



- Most candidates understood the fundamental difference between a share sale and a business sale.
- Unfortunately, some candidates failed to mention employees transferring to a new employer in the case of a business sale, and the impact on the pension arrangements.

The relevant section of the study manual - Part 4 (Corporate Transactions), Chapter 1.1 (Page 106)

Question 8

List some of the risks a scheme might face, and the areas that would normally be covered within a risk management framework.

(15 marks)

- Well answered by most candidates.
- Few candidates identified only two or three risks which they then described at length. To achieve full marks, it was more important to identify as many risks as possible by listing them, rather than elaborate on just a few points.

The relevant section of the study manual: Part 5 (Governance Requirements), Chapter 1.6 (Pages 138 - 139)

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 Manual.



Core Unit 3 - Running a Workplace Pension Scheme

Question 1.

Describe the requirements relating to timing and content that Trustees, Scheme Managers and Employers must adhere to when issuing Pensions Savings Statements.

This question varied to how it was answered to some excellent answers to some very poor ones. Most candidates covered the AA being exceeded and that the statements must be provided within 6 months of the tax year, that they needed to show the PIA for the year and the amounts for the previous 3 years. Points omitted included that the AA was not tapered and no account is taken of unused relief in prior years.

Question 2.

The overpayment and underpayment of benefits from occupational pension schemes usually happens as a result of either a mistake in the calculation of benefits or a late notification of a death.

Explain the duty of trustees in relation to overpayments and underpayments, outlining the ways in which overpayments can be recovered and the factors a member/beneficiary must demonstrate in order to avoid repaying the Scheme.

Generally, this question was really well answered. Candidates knew that there was a duty to recover overpayments and to act in the best interest of the members. Recovery could be either as a lump sum or from future instalments. Some omitted the fact that if not to be recovered the member must show that it was not possible to be aware of the mistake.

Question 3.

Your HR Director has indicated that planned expansion may require agile working arrangements being put in place which will include temporary and permanent assignments overseas.

Write a report setting out the implications for continued membership of the UK registered pension scheme, contributions and tax reliefs for those individuals who are posted to work abroad.

(a) temporarily (14 marks) or

(b) permanently (6 marks)

This answer should have been in the format of a report which sadly few candidates provided. You would need the title, recipient, date and headings throughout the answer to indicate a report format. A few candidates scored very poorly on this question failing to pick up many marks at all, Points omitted included that there is no limit on contributions in the tax year contributions paid. Candidates should also be careful they adhere to the marks awarded to each section, so section a. should have more than double the contents compared to section b. As is applicable to other questions too, it is best to include paragraphs in answers as it makes it much easier to mark rather than a chunk of text.



Question 4.

Describe the term Normal Minimum Pension Age (NMPA) and the concept of a Protected Pension Age which was introduced in 2010. Outline the changes to NMPA and associated protections provided by the Finance Act 2022.

This was a straight forward question which was reflected by the marks earned. Most candidates scored very favourable indicating a thorough knowledge of the subject material. There were no obvious omissions. This type of question demonstrates the need to thoroughly learn all areas of the manual, as to score well in this type of question it necessitates a knowledge of dates, ages and specific Acts which can only be retained by focused learning.

Question 5.

Outline the 6 data protection principles within the Data Protection Act 2018. Define "controllers" and "processors" under the Act providing an example of each in a pension scheme context.

Candidates again scored well and all gave this question a good go. The 6 principles had to be stated and then a small explanation for each had to be provided. Candidates did not omit the definitions required at the end either. This showed that candidates had thoroughly read the question and systematically answered it all which is not often the case – so well done.

Question 6.

List the information required from the transferring arrangement when a member wishes to consider a transfer into their current arrangement. On receipt of this, what happens next.

This question was poorly answered. All candidates omitted the section at the end “what happens next”. The facts that were needed here included that the administrator should provide an illustration of benefits in the new scheme to the member and instructions on what to do next. Must point out that the value is not guaranteed and the value of units in a DC scheme can vary according to market conditions at the time of the transfer. If DB the transfer is guaranteed between 3 and 6 months. However, the information required from the transferring arrangement was pleasingly completed plus once the discharge form completed what happens to the transferred in money.

Question 7.

Describe Straight Through Processing (STP).

This was another very straight forward question where all candidates had to do was list the facts from the manual. It helped to differentiate between those who had studied the manual and those who had not. Many candidates omitted that it provides an industry standard means of communication electronically between investment managers and that it is set to become more popular in the future. Members will see a single joined up end to end process.



Defined Benefit Arrangements

Question 1.

In your role as a benefit consultant, prepare a report that explains the features of Defined Benefit (DB) schemes. Your report should cover:

- The definition of a Defined Benefit scheme under the relevant Finance Act 2004**
- The key features of a Defined Benefit scheme**
- Design variations including Final Salary, Career Average Revalued Earnings, Hybrid and Cash Balance schemes.**

Generally good marks here. The candidates understood the material and were able to include facts to support the design variations appertaining to the schemes specified. Nearly all candidates complied with the report format as requested. The major omissions were that there is a tangible link between earnings and the anticipated benefit, which is one of the attractions of DB schemes for employees. However, no monetary figure can be guaranteed in advance and the financial health of the scheme could affect the 'promised' benefit.

Question 2.

A lay trustee that is new to the pensions industry has just joined the board. You have been asked to draft a paper to support the trustee's knowledge and understanding of the assessment of the strength of the employer covenant, including:

- The definition of the employer's covenant**
- The factors taken into account to determine critical funding level**
- Considerations relevant to the assessment of the employer covenant**

This question again asked for a paper format which pleasingly the majority of candidates complied with. Some found this question easy, if they had carefully studied the manual, but for those who hadn't poor marks were obtained. Many candidates were unsure of the factors to be taken into account to determine critical funding levels - information should have been the sponsor's credit rating, the sponsor's maximum contribution level, target events such as changes in stock markets, interest rates or inflation expectations and, demographic events such as increased longevity.

Question 3.



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Describe the primary objectives of DC and DB AVC Scheme Administration.

This question was on the whole poorly answered, especially in relation to DC AVCs. Candidates failed to mention that AVCs were included when the member main scheme benefits were settled. If permitted under the scheme rules the member can take AVCs at a different time to the main scheme benefits. The member can use AVCs to pay for pension advice, and that investment switches are dealt with in a timely manner as per the member's instructions.

Question 4.

How should the employer's attitude to risk be taken into account by the trustees when making investment decisions and which questions need to be answered in relation to the possible impact on the employer's covenant?

Candidates on the whole covered the employer's attitude to risk, but did not cover the full list of questions required for full marks. Frequent omissions included that trustees must not act in a way that jeopardies the security of members' benefits, and so they should not embark on an investment policy involving more than the minimum degree of risk unless they are comfortable that the sponsoring employer is able and willing to provide financial backing.

Question 5.

You are the Pensions Manager. A trustee is confused between automatic enrolment and non-automatic enrolment schemes. Write an email comparing the two.

An email was required this time which the candidates provided. This was an easy question to pick up marks in if candidates knew the material which some did and some didn't. Many candidates forgot the automatic enrolment exclusions of enhanced protections. Under non-automatic enrolment, candidates omitted to mention that membership can be by application or automatic and that some companies automatically enter employees into schemes when first eligible. Some candidates wrote in block text rather than using individual paragraphs making questions difficult to mark.



Defined Contribution Arrangements

Question 1

You are the trustee of a Defined Contribution Scheme and you have received a letter from a member who is approaching retirement, asking you to explain Annuities.

Write a letter in reply covering

- a) Definition of an Annuity (5 marks)
- b) The Open Market Option (5 marks)
- c) Annuity Options (5 marks)
- d) Enhanced/Impaired Life Annuities (5 marks)
- e) Annuity Documentation (5 marks)

(25 Marks)

Well answered with most candidates scoring more than half marks. Need to put it in a letter format. Most candidates scored well under annuity options and annuity documentation. Marks were fewer under the definition of an annuity which needed facts such as the basis of the annuity being fixed, and income taxable through PAYE. With the open market option candidates either knew it or they didn't. Facts omitted included the need for members to take professional advice, following the 6 April 2015 disclosure requirement that members with flexible benefits had a right to transfer to another arrangement.

Question 2

The Trustee Board has asked you as Pensions Manager of XYZ plc to write a Report explaining Default Funds.

Your report should cover why default funds exist, the regulatory requirements for these under qualifying schemes, and the design of the default option and communication of this to members.

(25 marks)

This question needed to be in a report format which most candidates complied with. This question was either completed really well or very poorly. For the latter many omitted facts about designing the default option. This was a high-level objective, suitable for its employees, it needed to be appropriately and competitively priced. Also needed to communicate the default option, and what the communication should include.



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Question 3

As Pensions Manager of ABC Limited you have been asked by the Head of HR to write a Report on the role of the Pensions Regulator. Your Report should cover the key roles of the Regulator, the powers bestowed on it and the Codes of Practice it has issued. **(30 marks)**

Again, this question required a report format which most candidates complied with. This question was generally well answered; However many candidates omitted the points appertaining to the codes of practice of The Pensions Regulator and their powers or only provided a few points when the total marks available was 18. Other omissions included whistleblowing and overseas scheme returns.

Question 4

Your Finance Director has asked you as Pensions Manager of ABC Limited to explain auto enrolment. Write an e-mail explaining the duties of the Employer under the Auto Enrolment regime and the quality requirements for a DC Scheme under this regime. **(20 marks)**

This question required an email format which again most candidates provided. Most covered the contribution rates, applicable ages, and qualifying earnings. However, omissions included the definition of qualifying earnings, membership not being made compulsory, and contractual enrolment.



Professionalism & Governance

As the final exam in the PMI Advanced Diploma, and the route to Fellowship for other pathways, Professionalism & Governance has high expectations of learners. As stated in the qualification specification, the “aim of the Advanced Diploma is to provide the required professional knowledge, skills and understanding for an individual to undertake, after sufficient experience, a position as a pensions specialist”. It’s designed to be a challenging qualification and at a Level 6 is equivalent to undergraduate study.

The Advanced Diploma is tested through case studies and scenarios, which can be based on the Governance and Professionalism Manuals, the PMI Code of Conduct (the Code) and also highly topical subjects. The Communications Manual supports learners’ understanding of how to frame the format of their answer, but also includes information relevant to the exams.

Learners should note the breadth of knowledge required to be able to gain the 55 marks required to pass the Professionalism & Governance Module. They are, and will be, expected to have a sound understanding of highly topical issues in the pensions sector. Additional reading is essential to gain sufficient knowledge to pass this exam.

The exam is now established online, which is more akin to the way people engage with their working day. Regardless of the way learners complete their exams, they should always review their answers for technical accuracy, readability, spelling, and grammar. This is improving, but there are still learners who miss out on marks because of mistakes which dilute their answer’s clarity. This impacts on the communication marks we can award. Learners need to remember to incorporate sufficient time to fully read through their answers before submitting their exam to the portal. Good exam time management and adequate planning is key to this. Even online, learners can develop a plan to help them. If it’s headed as such, it can be included in the section available for the answer and can be used by the examiner to evaluate for marks if learners run out of time.

Some learners have raised concerns about the design limitations of the online portal. They should take comfort they will never be asked to do something the portal isn’t capable of. However, they should think about the core components of the format they have been asked to produce e.g. a report title, contents page, executive summary etc. These are all possible within the portal.

While this exam session didn’t include any Code related questions, learners should not take this as an indication it won’t be included in future exams.

Question 1 is a long case study where learners are asked to apply technical information to a given situation, and in a specific format. Learners are assigned a **role** and an **objective**. Their answer must be appropriate both to their assigned **role** e.g. Pension Manager, consultant etc and their **objective**, e.g. to train, to inform etc through the specified format. Question one carries 60 of the total marks available, 48 for demonstrating technical knowledge and 12 for fulfilling the role and objective through



communication. There are always more than 48 technical marks available to allow for learners' interpretation of the question.

At this level, examiners are looking for strong knowledge of material, plus how well this knowledge is conveyed. The exam paper shows how many marks are allocated to each question, and to each part of a question. Learners should pay particular note to the mark allocation as it provides a guide as to the depth of the answer/part answer required. Nevertheless, questions can be answered in any order. It was pleasing to see a number of learners produced exam responses which reached the pass mark. There was a clear difference between those who reached the required standard to pass and those who didn't.

Question 1 was:

You are the investment consultant to the Trustees of a defined benefit scheme with a £850m pension fund. At the last Board Meeting, the Trustees agreed to expand the range of assets by appointing an LDI manager. They are about to start the process and the Chair of Trustees has asked you to prepare a paper for their next Board Meeting setting out:

- a) What they should consider when they are selecting the manager (7 marks)
- b) Highlight the characteristics of an LDI manager and what can go wrong (for context) (5.5 marks)
- c) The risks associated with all investment managers (6 marks)
- d) How the Trustees can mitigate these risks (7.5 marks)
- e) What the Trustees should expect the Investment Manager Agreement to include (7 marks)
- f) Explanation of the process involved in transitioning funds to the new manager (7 marks)
- g) Give examples of good administrative practices the Trustees should look for in any new investment manager (3 marks)

Conclude your report with a relevant recommendation (5 marks)

(48 technical marks, 12 format/communication marks.

Total 60 marks

Learners largely framed their answers in the Report format required and scored well on the format and communications part of the question. The elements needed are listed in the Communications Manual. Unfortunately, no learner gained full marks, which is a shame as these are easy marks to gain.

The technical detail for this question can be found in the Governance Manual Part 3, Ch2 Intro, 2.1 to 2.3, Pat 1 Ch1 1.5.2 & 1.5.3 pages 21, 22, 66 & 74 to 81 plus topical knowledge of LDI & the gilts crisis.

This question was specifically about LDI managers, but clearly there were aspects which would be common to all. Learners were expected to shape their responses accordingly. For example:

- Any manager/fund selection needs to be consistent with a scheme's investment strategy – but for LDI there should also have been some reference to the ability for running a core matched portfolio (the LDI) alongside a return seeking portfolio.



- There is potential for challenge between a trustee board's ESG investment beliefs and LDI
- LDI is usually segregated for larger schemes (like the scheme in the question), but can be pooled for smaller schemes.

The question was also looking for **any** credible explanation of what happened in Autumn 2022, with rises in interest rates causing a 'gilts crisis' where schemes with underhedged LDI were exposed to collateral calls which meant they were having to disinvest from liquid return seeking assets in order to pay them.

Some aspects of this question were answered well, but there was no consistency on which areas scored best. Where learners didn't achieve good scores, this was often due to their answers lacking sufficient detail to be able to award more marks. There was a consistent theme where learners only identified the broad elements in the question, but didn't give details. Learners should bear in mind in a three-hour exam, a question worth 48 marks will require significant relevant detail. When reviewing their answer, they should ask themselves whether the amount of detail they've included is capable of earning 48 marks. Even where some learners were strong on investment, they did not focus on the specifics asked for in the question (see above). This means learners need to think about the question asked and not fall into the trap of simply talking about a generic pensions topic.

Unfortunately, some learners did not give any conclusion or recommendations in their answers, despite being asked to do so and there being 5 marks available. This impacted on both communication and technical marks.

The remaining 40 marks for the exam were gained from the three short questions. It was a pity some learners who scored well in Question 1 then failed to achieve good marks in the short answer questions and so were not able to gain sufficient marks to pass the exam. Where questions are taken from the syllabus, they can be broader than the Manuals. These and topical issues cover aspects of the industry anyone working in pensions would be expected to know something about – regardless of their seniority. The marks available for these types of questions are generally technical. The number of marks available are given for every question. The short questions were:

Question 2

You are the Scheme Secretary to an occupational pension scheme. The Company's Finance Director has just joined the board as an Employer Nominated Trustee. He has asked you about the principle of managing conflicts of interest in his role as a Trustee. Draft an email to the new Trustee

- a) Setting out the importance of managing conflicts of interest for a Trustee Board (12 marks)**
- b) Give examples of what could be conflicts for a Finance Director acting as a Trustee for their company's pension scheme (2 marks)**

(1 format mark, 14 technical marks – total 15 marks)

The information relevant to this question was drawn from Governance manual Part 1, 1.3.1 & 1.2.6, 1.2.6.5, pages 11,12 &14



A number of learners gave superficial answers to this question. This lack of detail impacted on their ability to gain good marks, with many only managing to achieve half of those available. Learners who scored well produced more developed answers, which included points such as:

- Conflicts of Interest (COI) can be real or perceived
- COI will be included in a scheme's Risk Register
- TPR's 21C trusteeship emphasised the need for COI policies and procedures (and produced example documents)
- Documents should be legally reviewed
- Identifying the link between covenant reviews and commercial sensitivity of the sponsoring employer

Question 3

You are the Pension Manager to a pension scheme with £800m of assets. Your Trustees have asked you to include a note on Task Force on Climate-Related Financial Disclosures (TCFD) in the next Trustee Meeting papers. Draft a note to:

- a) Describe the impact on schemes of the TCFD regulations (6 marks)**
- b) Explain TCFD reporting requirements (9 marks)**

(15 total marks)

The information relevant to this question was drawn from the Governance manual Part 1, Ch 2-2.4.4 Page 39. This was the least well answered question, with some learners leaving all or parts out entirely. This was surprising because the detail required was listed in the Manual and it is a highly topical subject. Where learners attempted this question, a number omitted the relevant dates and didn't bring this back to the scheme referred to in the question ie it is not yet affected by the regulations.

Question 4

You are an Administration Team Leader and one of the new members of your team has emailed you asking about IDRPs. Set out a response:

- a) Explaining the key considerations when resolving a formal member complaint (5 marks)**
- b) Setting out the requirements of the IDRPs process (5 marks)**

(Total 10 marks)

The information relevant to this question was drawn from the Governance manual Part 2 1.10.1 & 1,10,3 pages 56 & 58, and TPR's website.

A number of learners weren't able to explain how to handle formal member complaints and didn't talk about complaint care and root cause analysis. Many learners' answers lacked the detail needed for more marks, with some not explaining who can complain in an IDRPs, what the timescales are and that it can be a one stage process. As well as omitting TPR's stance on IDRPs and referencing the Pensions Ombudsman's early resolution service.