



Core Unit 1A – Providing for Retirement

Assignment 1 Notes

(Part 1 – Providing for Retirement)

Recommended Time: 1 Hour

1. **List 5 principles of the Department of Work and Pensions (DWP) Style Guide.**

5 marks

List should include five of the following seven key principles:

- [the member] feeling in control
- What's in it for [the member]
- Make it relevant
- Clarity of roles [who to go to for information]
- Overcome contextual barriers
- Accessible presentation [aimed at the right level, well set out etc.]
- Establish baseline knowledge and confidence [use straightforward language, establish basic concepts before detail etc.]

In addition, the guide recommends a consistent use of diagrams.

(Relevant section of the manual is Part 1 Chapter 2.4.4.)

2. **Outline some of the typical options available for retirement saving in addition to pension savings.**

10 marks

A full answer should include an outline of the following:

- ISAs / NISAs / LISAs
- Corporate wraps
- Property

(Relevant section of the manual is Part 1 Chapter 2.3)

3. **Explain the EET Principle.**

10 marks

Answer should cover the following:

- Contributions Exempt from tax
- Investments built up largely Exempt from tax
- Pensions payable subject to Tax

(Relevant section of the manual is Part 1 Chapter 1.4.1.)



4. Explain the new pensions freedom and contrast it with capped and flexible drawdown.

10 marks

Answer should cover the following:

Capped Drawdown

- Finance Act 2004 (as modified by Finance Act 2005)
- Member permitted to take varying amounts each year subject to a maximum set by regulation.
- No minimum amount to be taken

Flexible Drawdown

- Finance Act 2011
- Minimum Income Requirement – initially set at £20,000
- Individuals no longer an active member of any scheme
- No limit to drawdown amount

New Pensions Freedom

- Taxation of Pensions Act 2014 effective 6 April 2015
- All Defined Contribution pots
- No Minimum Income Requirement – income from other sources irrelevant
- All scheme members aged 55 or over [some members would need to transfer]
- Members can choose how much to take as and when they want

(Relevant section of the manual is Part 1 Chapter 1.4.4.)

5. Identify the changes to State Pension Ages outlined in recent Pensions Acts.

5 marks

Answer should cover the following:

- Pensions Act 2007, State Pension Age to gradually rise to 68 by 2046
- Timetable modified by Pensions Acts of 2011 and 2014.

Currently as follows for men and women

- From 65 to 66 between 2018 and 2020 (Pensions Act 2011)
- From 66 to 67 between 2026 and 2028 (Pensions Act 2014)
- From 67 to 68 between 2044 and 2046 (Pensions Act 2007)

Periodic reviews at least once every five years (Pensions Act 2014).

(Relevant section of the manual is Part 1 Chapter 2.2.3.)



6. Outline the payment and contribution requirements of the New State Pension.

5 marks

Answer should cover the following:

- New State Pension for those who reach State Pension Age on or after 6 April 2016 Transitional arrangements for those who have built up an entitlement to the Basic State Pension and/or S2P at that date.
- Amount above level of single person guarantee credit
- Option to defer or suspend payment
- Paid at full rate to individuals with 35 or more “qualifying years”
- Proportional amount paid to those with “qualifying years” – option to increase amount by paying voluntary national insurance contributions

(Relevant section of the manual is Part 1 Chapter 2.2.4.)

7. List 5 aspects of the Disclosure Regulations as they apply to occupational pension schemes.

5 marks

List should include five of the following:

- Certain information to be given to all members on joining and updated when it changes
- Members can request certain information
- A trustees’ report must be prepared annually, made available on request
- Information to be given to members when they leave or retire (wake up pack for DC members) and if member were to die to the member’s beneficiaries
- Summary Funding Statement
- Annual Benefit Statements automatically (money purchase) or on request (non-money purchase)
- Annual Pension Savings Statements (those accruing large pension benefits)
- Benefit crystallization events: lifetime allowance used
- Transfer of safeguarded benefits: request for advice
- Information on specific events such as winding up

(Relevant section of the manual is Part 1 Chapter 2.4.2.)