



Core Unit 1A – Providing for Retirement

Assignment 4 Notes

(Part 4 – Workplace Pensions)

Recommended Time: 1 Hour

1. **Explain who may establish a personal pension.**

5 marks

Answer should cover the following:

Authorised Pension Provider

- Prior to 6 April 2001 provider authorised under Chapter III of Part I of the Financial Services Act 1986 to carry on investment business e.g. insurance companies and building societies

No longer has any restrictions if personal pension set up under trust otherwise previous restrictions still apply

(Relevant section of the manual is Part 4 Chapter 1.2.4)

2. **A stakeholder pension is a particular type of personal pension subject to additional requirements. Outline these additional requirements and the requirement to provide a stakeholder pension scheme.**

10 marks

Answer should cover the following:

Additional Requirements

- Limit on annual management charges
- Must accept transfers in
- Providers can stipulate a minimum contribution but this must not exceed £20 including tax relief
- Default Investment Option

Requirement to provide a stakeholder pension scheme

- From 8 October 2001
- Every employer with five or more employees unless satisfy certain conditions
- Abolished from 1 October 2012 for new members.

(Relevant section of the manual is Part 4 Chapter 1.2.7.)



3. **Outline the main features of a Cash Balance Scheme, explaining the similarities to a Money Purchase Scheme.**

10 marks

Answer should cover the following:

Main features

- Cash sum defined at outset
- Employer pays in whatever level of contributions is necessary to provide this lump sum
- At retirement lump sum used to purchase a pension (may take part as lump sum)

Similarities to Money Purchase Scheme

- Contributions paid by employee and employer and invested
- At retirement lump sum used to purchase a pension (may take part as lump sum)

(Relevant section of the manual is Part 4 Chapter 2.1.5.)

4. **Describe a Group Personal Pension Arrangement and how it might be used by a company for pensioning its workforce**

10 marks

Answer should cover the following:

A Group Personal Pension (GPP) is used by an employer wanting to use personal pensions for its employees.

A GPP is a collection of individual personal pensions taken out with the same provider with eligibility confined to employees / former employees of that employer (company or group of companies). Economies of scale may lead to beneficial terms

GPPs share many features of an Occupational Pension Scheme. Contributions are tax deductible. But relief on member contributions is given on a Relief at Source basis. This is simpler in principle for the company but any higher rate relief must be reclaimed by the member via self-assessment or requesting a coding adjustment).

(Relevant section of the manual is Part 4 Chapter 1.2.2.)



5. Describe a “self administered pension scheme”.

5 marks

Answer should cover the following:

- Relates to way scheme assets are invested not the manner to which the scheme is administered
- Trustees usually seek separate organisations to provide fund management and administration services
- Tend to be schemes of a size to warrant more control by trustees
- Trustees monitor investment performance and change investment managers in light of poor performance

(Relevant section of the manual is Part 4 Chapter 2.3.4.)

6. Describe a cross border scheme and the requirements for an occupational scheme with its main administration in the UK.

10 marks

Answer should cover the following:

- A scheme designed to allow cross border activity and a description of cross border activity.
- Registration by a relevant supervisory body
- Technical provisions calculated on the basis of actuarial methods recognised by the Member State
- Effectively run by persons of good repute
- Governed by properly constituted rules
- Commitment to meet costs regularly by sponsoring employer where employer guarantees payment of benefits under it
- Scheme members sufficiently informed
- European Pensions Directive – requirement technical provisions to be fully funded

(Relevant section of the manual is Part 4 Chapter 2.3.3.)