



Core Unit 1A – Providing for Retirement

Mock Examination Notes

Recommended Time: 1 Hour

1. **Write short notes on ISAs.**

5 marks

Answer should cover the following:

- Introduced April 1999
- Tax-privileged savings vehicle
- Contributions paid out of taxed income but no further taxation (e.g. on investment or withdrawing funds)
- Three types – Cash / Stocks and Shares / Innovative Finance
- Can save in all three types during a single tax year but cannot contribute to more than one of each category in any tax year.
- Overall contribution limit £20,000 for 2017/18 including any amount paid to a Lifetime ISA.

(Relevant section of the manual is Part 1 Chapter 2.3.1.)

2. **What is an Independent Governance Committee?**

5 marks

Answer should cover the following:

- Providers of workplace contract-based schemes required to operate an IGC from 6 April 2015
 - Providers with small and less complex workplace personal pension schemes are able to establish a Governance Advisory Arrangement instead of an IGC.
- Act in interests of policy holders independently from the provider
- assess value for money
- provide communication to scheme members and employers
- report on quality standards
- chair of IGC responsible for publishing annual report

(Relevant section of the manual is Part 2 Chapter 1.16.)

3. **What is a CARE scheme?**

5 marks

Answer should cover the following:

- Career Average Revalued Earnings scheme
- Benefits reflect earnings throughout the period of membership
- A simple example to illustrate revaluation
- For employer measure of predictability and control over costs

(Relevant section of the manual is Part 4 Chapter 2.1.3.)



4. **Outline the role of an insurance company in the provision of services to pension schemes.**

10 marks

Answer should cover the following:

- Provision of contract-based schemes such as personal pensions and stakeholder
- Provision of Insured Schemes
 - Investment vehicle or individual insurance contracts, Trustee services including administration and communication, insurance services
- Insurance of some or all benefits such as lump sum death benefits
- Provision of annuities
- De-risking exercises – buy-out of benefits
- As an AVC provider

(Relevant sections of the manual are Part 2 Chapter 1.22 and Part 4 Chapter 2.2.1 & 2.3.4 .)

5. **Write short notes on contracting-out and why it was done.**

10 marks

Answer should cover the following:

- Person gave up part of their State Additional Pension entitlement in return for a National Insurance rebate (both employer and employee)
- Certain conditions had to be satisfied
 - Minimum level of pension benefits, or
 - Investment proceeds for a minimum level of contributions
- Prior 6 April 2012 COSR/COMP/COMB/APP
- Between 6 April 2012 and 5 April 2016 COSR only
 - Distinction between protected-rights and non-protected-rights little practical significance
- From 6 April 2016 contracting out abolished
 - Members of former COSRs retain rights to GMPs
- Reasons for contracting out
 - DC – prospect of investment returns to receive higher benefits than given up
 - DB – prospect of providing guaranteed benefits at a lower cost than rebate received

(Relevant sections of the manual are Part 3 Chapter 1.2.1 & 1.2.2)



6. Outline the main features of the New State Pension.

5 marks

Answer should cover the following:

- For those reaching State Pension Age after 5 April 2016
- Full State Pension payable to individuals with 35 or more qualifying years
- Reduced rate for those with between 10 and 35 qualifying years
- Self-employed will be eligible
- Set above basic level of Guarantee credit
- Receipt can be postponed
 - No lump sum option
 - Rate of increase 1/9th of 1% for each week postponed

(Relevant section of the manual is Part 3 Chapter 1.4.)

7. Compare and contrast an occupational pension scheme and a personal pension scheme.

10 marks

Answer should cover the following:

- Occupational pension schemes & personal pension schemes must be registered with HMRC to benefit from favorable tax treatment
- Occupational pension schemes established by employer for benefit of employees
- Most occupational schemes established under trust
- DB or DC
- Trustees
- Most scheme - Employee contributions deducted from gross earnings and offset against member's taxable earnings. Exception is NEST.
- Personal pension schemes individual arrangements between an individual and an insurer
- Personal pension schemes can be set up under irrevocable trusts or if provider is an authorised insurance company or friendly society, can be established by deed poll
- DC only
- IGCs
- Employee contributions deducted from net earnings.
- Provider reclaims basic tax from HMRC – "relief at source". Higher rate tax relief claimed through tax assessment

(Relevant section of the manual is Part 4 Chapter 1.)