



Core Unit 3 – Running a Workplace Pension Scheme

Assignment 5 Notes

(Part 6 – Special Situations)

Recommended Time: 1 Hour

1. **List the key activities a DB scheme should complete within two years during the winding up process.**

10 marks

Answer should cover:

The key activities that a DB scheme should complete within the two year period are:

- Calculating whether there is a section 75 debt on the employer, and if so serving that debt
- Obtaining terms from insurers to secure benefits for pensioners and non-pensioners
- Allocating available assets to members in accordance with the statutory priority order
- Issuing option letters to non-pensioners
- Paying benefits in accordance with options exercised
- Securing benefits
- Providing details of the benefits that have been secured with an insurer
- Conducting a final actuarial valuation
- Obtaining final audited accounts

(Relevant section of the manual is Part 6 Chapter 2.3)

2. **Summarise the key features of the Financial Assistance Scheme.**

10 marks

Answer should cover:

- Purpose of the FAS is similar to that of the PPF
- Responsibility passed to the Board of the PPF
- Makes payments to top up scheme benefits to eligible members of schemes that are winding up or have wound up.
- Scheme must have started to wind up between 1 January 1997 and 5 April 2005,
- Employer must be insolvent or no longer exist, or a 'compromise agreement' has been reached with the employer to prevent employer insolvency, or underfunded schemes where there was no employer debt at the time wind up commenced
- Benefits (called assistance) similar to those provided by PPF
- Members eligible for top up assistance as are member's surviving spouse or civil partner (member died after the scheme started to wind-up)
- Assistance normally payable from NRA - earlier on the grounds of ill health but not before 60, and the compensation would be reduced for early payment.
- Compensation accrued in respect of scheme service after 6 April 1997 will be increased each year in payment in line with inflation (capped at 2.5% p.a.).
- FAS closed to new applications from schemes from 1 September 2016.

(Relevant section of the manual is Part 6 Chapter 2.11)



3. Explain the Government's 10 steps to Cyber Security.

10 marks

Answer should cover:

The Government, through the National Cyber Security Centre, has published 10 steps to cyber security to help organisations (like pension schemes) protect themselves in cyber space. The 10 steps are:

- **Risk Management Regime** – Embed an appropriate risk management regime across your pension scheme. This should be supported by an empowered governance structure, which is actively supported by trustees and management.
- **Secure Configuration** – Apply security patches and ensure the secure configuration of all systems is maintained. create a system inventory and define a baseline build for all devices.
- **Network Security** – Protect the network from attack by filtering out unauthorised access and malicious content. Regularly monitor and test security controls.
- **Managing User Privileges** – Establish effective management processes and limit the number of privileged accounts. You should also limit user privileges and monitor user activity.
- **User Education and Awareness** – Produce user security policies covering acceptable and secure use of systems. Maintain awareness of cyber risks and provide regular staff training.
- **Incident Management** – Establish incident response and disaster recover policies and procedures.
- **Malware Prevention** – Develop and implement appropriate anti-malware policies as part of an overall 'defence in depth' approach.
- **Monitoring** – Establish a monitoring strategy and produce supporting policies. Systems and networks should be continuously monitored.
- **Removable Media Controls** – Produce a policy to control all access to removable media. Organisations should be clear about the business need to use removable media and apply appropriate security controls to its use.
- **Home and Mobile Working** – Establish risk based policies and procedures that support mobile working or remote access to systems that are applicable to users, as well as service providers.

(Relevant section of the manual is Part 6 Chapter 3.3.8)



4. **Write a short note on the cross border provisions.**

5 marks

Answer should cover:

- Requirements introduced by the Pensions Act 2004 to ensure that the UK complies with the EU Directive on Institutions for Occupational Retirement Provision 2003/41.
- The legislation:
 - Allows employers to use a UK scheme to cover EEA based employees
 - Defines cross-border activity
 - Requires UK schemes operating cross border to be fully funded at all times, and
 - Requires UK schemes to comply with host country social and labour law relevant to occupational pensions, in respect of members in the host country.
- Cross border schemes must obtain authorisation from the Pensions Regulator.

(Relevant section of the manual is Part 6 Chapter 1.6)

5. **Write a short note on the New Financial Guidance Body.**

5 marks

Answer should cover:

The Government has introduced the Financial Guidance and Claims Bill to establish a new single financial guidance body. The new body will replace the Money Advice Service, The Pensions Advisory Service and Pension Wise. Its role will include:

- the provision of debt advice in England
- the provision of money guidance across the UK
- the provision of pensions guidance across the UK

to work with others in the financial services industry, the devolved administrations, and the public and voluntary sectors to support the coordination and development of a national strategy

- funded by levies on the financial services industry (the financial services levy) and pension schemes (the general levy).
- a non-departmental public body sponsored by the Department for Work and Pensions.

(Relevant section of the manual is Part 6 Chapter 3.3.2)



6. **Draft a note that explains the action that is being taken to combat pension scams.**

10 marks

Answer should cover:

- A voluntary code setting industry standard for dealing with transfers from a UK registered pension scheme to another registered pensions scheme or Qualifying Recognised Overseas Pension Scheme (QROPS) – the Code of Good Practice on Combatting Pension Scams applied from 16 March 2015 to all transfer requests processed on or after that date.
- The Code will be reviewed and updated on a regular basis to ensure it reflects current risks and good practice. It is based on three principles:
 - Raising Awareness (Principle 1)
 - The assessment process (Principle 2)
 - Awareness of current scam strategies (Principle 3)
- TPR's website sets out how trustees can help members protect their pension savings.
 - It states that trustees should give scheme members regular, clear information about how to spot a scam.
 - TPR has also provided materials to help trustees to do this, including a pension scams action pack and member facing materials.
- The pension scams action pack sets out a five point action plan to follow where administrators suspect a scam:
 - Send the member tPR's pension scams booklet
 - Carry out due diligence on all transfer requests
 - Talk to the member to get further details to identify scams
 - Direct members to the Pensions Advisory Service (TPAS) for further guidance
 - If the member still wishes to proceed contact Action Fraud (<http://www.actionfraud.police.uk/>) on behalf of the scheme
- TPR also suggests that schemes should direct members to the Government service (Pension Wise) where they will learn more about their options at retirement and how to avoid a pension scam.

(Relevant section of the manual is Part 6 Chapter 3.2)