

Core Unit 1A – Understanding Retirement Provision (UK)

This was a 2-hour exam split between multiple-choice questions and free-format questions. Equal weighting of marks was given to both sections.

Multiple-choice questions

There were 50 questions, each correct answer being worth 1 mark. There were two types of question, as follows:

- 40 questions where candidates select one correct answer from a choice of four possible answers, and
- 10 questions where candidates are given two statements and have to determine whether both are true, the first is true and the second is false, the first is false and the second is true, or both are false.

The questions were broadly representative of the entire syllabus.

In general, candidates achieved good scores on the multiple-choice questions.

For the multiple-choice questions areas that candidates answered less well covered the following areas of the syllabus and study material:

Subject	2020 study manual reference
Giving financial advice	Part 1, Chapter 2.4.5
Powers of the Pensions Regulator	Part 2, Chapter 1.1.1
Investment adviser	Part 2, Chapter 1.19.2

Short answer questions

There were seven short questions where candidates were required to write their answers in free format. Candidates are encouraged to devote one hour to this part of the examination. Most candidates did not score as highly on this part of the paper as they did on the multiple-choice section.

Question 1

Write brief notes about the development of pensions dashboards. (6 marks)

There was a wide range in the quality of answers to this question. Some candidates obtained maximum marks but others scored very poorly which is disappointing given the topical nature of this question. Very few candidates made reference to the Government's recommendation that commercial dashboards can be launched once consumer protections are in place, and few made any reference to the state pension.

The relevant section of the study manual is Part 1, Chapter 2.4.6.

Question 2

Describe how the benefits from a cash balance scheme are calculated. (5 marks)

Most candidates were able to demonstrate some knowledge of this subject and answered this question reasonably well, although relatively few made the point that although the lump sum benefit is known in advance any pension secured will not be as it will depend on annuity rates available at the time benefits are taken.

The relevant section of the study manual is Part 4, Chapter 2.1.5.

Question 3

Describe the main features of the Lifetime ISA ("LISA"). (10 marks)

This question was the best answered on the paper, with the majority of candidates able to demonstrate knowledge of the eligibility conditions and the applicable limits. Most were aware of the 25% withdrawal charge although many were unclear precisely when it applies and when it does not apply.

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

Question 4

List the pension scheme governance themes covered in the Pensions Regulator's 21st century trusteeship campaign to clarify its expectations of trustees. (8 marks)

This question was generally well answered too, with a good number of candidates scoring maximum marks. Candidates are reminded that where a question asks for a list, a detailed description of the various points is not required and will not add to the tally of marks that can be awarded.

The relevant section of the study manual is Part 2, Chapter 1.1.2.

Question 5

Describe the following State benefits:

- (a) Personal Independence Payment. (6 marks)
- (b) Industrial Injuries Disablement Benefit. (4 marks)

As with question 1, there was a wide range in the quality of answers to this question. Some candidates had clearly carefully studied this section of the study manual and consequently achieved very good scores, whilst others had apparently neglected this topic and as a result scored very poorly.

For the Personal Independence Payment answers should have included that it is only payable up to State Pension Age but is payable in addition to the Employment and Support Allowance regardless of income, employment or whether NICs have been paid. Candidates should also have made reference to the two rates, daily and mobility.

Most candidates noted that the Industrial Injuries Disablement Benefit is payable as a result of an accident at work or the contraction of a prescribed industrial disease but many failed to state that it is not means-tested or dependant on NICs. Candidates should also have mentioned that the amount payable depends on the severity of the disablement.

The relevant section of the study manual is Part 3, Chapter 2.2.4 and 2.2.5.

Question 6

Identify the requirements a UK pension scheme must meet if it is to comply with cross-border requirements. (6 marks)

Most candidates were able to demonstrate at least a basic knowledge of this subject and there was a good number of high-scoring answers. Candidates generally understood the role of the Pensions Regulator and the need for the scheme to be fully funded and hence have annual valuations. There were, however, few references to the IORP or the 2013 EU pensions directive.

The relevant section of the study manual is Part 4, Chapter 2.3.3.

Question 7

Describe the payment of employer contributions under a defined benefit scheme and how these compare and differ to payment of employer contributions under a defined contribution scheme. (5 marks)

Here the examiners were looking for an explanation that, for a defined benefit scheme, the employer is generally responsible for making up a shortfall in the funding position whereas in a defined contribution scheme the employer's responsibility is to pay contributions at the rate specified either in the scheme rules or in the contract of employment.

Few candidates explained that, for defined benefit schemes, the employer and trustees usually agree the rate of employer contributions although in some cases trustees have the unilateral power to set the rate, and a number incorrectly stated that the scheme's actuary tells the employer how much it has to contribute.

For defined contribution schemes, few candidates drew a distinction between occupational schemes where the rate is usually specified in the scheme rules, and contract-based schemes such as group personal pensions, where the employer is required to make contributions in accordance with the employment contract.

Few candidates commented that the employer contributions must satisfy the minimum requirements under automatic enrolment.

The relevant section of the study manual is Part 2, Chapter 1.18.1.