

## **PMI Core Unit 2 – Examiners Report for October 2020 Exams**

There were some high marks achieved on this October 2020 paper when compared to previous years. Most candidates scored well across both the multi-choice questions and the short form questions, showing a higher than usual awareness across the whole syllabus. This may be that candidates have had more time to study, already having prepared for the April exams before they were cancelled and then more spare time because of lockdown. Candidates that failed, generally scored low marks across each question indicating the time commitment had not been put in. Completion of the papers on-line may also have helped candidates focus on the answers and set these out concisely.

### **Q1. List the Trustees' policies which must be contained in a Statement of Investment Principles.**

This was covered by - Part 2 Chapter 2.11.4 of the manual

This was generally well answered with most candidates demonstrating a good understanding. Most candidates listed that the SIP should include the types of investments to be held and giving some examples, proportions, risk, expected returns, how easily investments can be turned into cash and the Trustees' policies on Ethical, Social and Economic considerations. Very few referenced that it should include the Trustees' policies on securing compliance with Section 36 of the Pensions Act 1995 or the Investment Regulations 2005.

### **Q2. List the events which would lead to an individual triggering the Money Purchase Annual Allowance.**

This was covered by Part 1, Chapter 1.4 of the manual

There was a wide range in the quality of answers to this question. Some candidates demonstrated a thorough knowledge of the subject, either from the manual or perhaps being involved with the administration of money purchase schemes in their job. Some candidates showed only a very vague grasp of the details and had either not studied this part of the syllabus or did not understand what the question was looking for.

Points to include in the answer were: a draw-down of funds from a flexi access account, receiving an uncrystallised funds pension lump sum (UFPLS) or received a pre-5 April 2015 payment from a flexible draw down account.

Of those who answered well one of the main points missed was about receiving a 'stand-alone lump sum' from a money purchase arrangement where the individual was entitled to primary protection but not to enhanced protection.

### **Q3. In 2010 The Pensions Regulator (TPR) published regulatory guidance for Trustees, providers and administrators on the testing and measurement of member data. Write notes on the three types of data.**

This was covered by Part 5, Chapter 1.8.1 of the manual

Most candidates showed an understanding of the three types of data and most would be familiar with this in their day-to-day role. The three types were Common Data, Conditional Data and Numerical Data. The third type, Numerical Data, and that this helps put results of other measures into perspective, was the least mentioned type.

**Q4. Under section 7 of the Pensions Act 1995, The Pension Regulator (TPR) has the power to appoint pension scheme trustees in certain circumstances.**

- a) Explain the main purpose of this power**
- b) List the circumstances in which TPR can appoint a trustee**

This was covered by Part 2, Chapter 2.23 of the manual

For part a) most candidates understood that the main purpose of this power is to protect the interests of scheme members and to safeguard scheme assets. Few though mentioned it is also to safeguard the Pension Protection Fund.

For part (b), there was a mixture of comprehensive answers and some not containing sufficient detail to pick up more marks. The main points, which were mostly picked up were to replace a trustee who is prohibited or disqualified from being a trustee, ensure trustees as a whole have expertise to administer the scheme properly, the number of trustees is sufficient for proper administration of the scheme. Few candidates mentioned that an application from trustees, employer or a member can be made to TPR for appointment of a trustee in certain circumstances.

**Q5.**

- a) Explain the Role of the Information Commissioner 's Office.**
- b) List the powers it can use to enforce data protection requirements.**

This was covered by Part 3, Chapter 1.1.5

This was generally well answered across both parts and has been topical over the past couple of years. The explanation of the role of the Information Commissioner's Office in part a) was well answered and in part b) most candidates were able to list the powers, such as; being able to conduct assessments or audits, serve information, enforcement and penalty notices, prosecute those who commit a criminal offence and report to Parliament on DPA issues.

**Q6. Where a business sale occurs, explain the legal requirements the Pensions Act 2004 places on the buyer, for future service pension provision for the employees of the target business.**

This was covered by Part 4, Chapter 1.5.1 of the manual

Questions on business and share sales always produce a wide range of answers and candidates do need to study the manual carefully to be able to answer these questions and not get confused across the different situations and duties of buyer and seller. It is also important to read the question carefully. In this case the question is referring to future pension provision. A number of candidates included reference to what would happen to the benefits already accrued and no marks were given for this.

The question was looking for details of the minimum benefit provision the buyer must provide for future service, where the transferring employees were members of a defined benefit (DB) occupational pension scheme or a defined contribution (DC) occupational pension scheme to which the seller contributed to prior to the sale and the different requirements for different types of scheme. For example, were a DB scheme met the contracting out reference scheme test, the buyer is required to provide future benefits worth at least 6% of pensionable pay per year or matched contributions up to 6% of pensionable pay. A mark was also available for stating that the automatic enrolment requirements need to be satisfied.