**Core Unit 3 – Running a Workplace Pension Scheme**

**Assignment 5 Notes**

(Part 6 – Special Situations)

Recommended Time: 1 Hour

1. **List the ways in which individuals aged 55 or over can access their defined contributions pension savings since 6 April 2015.**

Answer should cover:

* Leave the pot untouched
* Get a guaranteed income (annuity)
* Get an adjustable income
* Take cash out in chunks
* Take whole pot in one go
* Mix the above options

**5 marks**

1. **Summarise the key features of PPF Compensation.**

Answer should cover:

* Once a scheme is transferred to the PPF, its assets and liabilities will be transferred to the fund, which will provide PPF compensation. The level of compensation depends on the position of the member at the point the employer went insolvent.
* Members over Normal Pension Age or in receipt of an ill health or survivor’s pension receive 100% of the pension payable at that time.
* For others, the compensation will be 90% of accrued benefits and will be subject to an overall cap, which depends on the member’s age at date of commencement of benefits and the length of pensionable service, with a long service compensation cap introduced from 6 April 2017 where pensionable service is greater than 20 years.
* For pensionable service of 20 years or less, then for the year commencing 1 April 2020 the maximum level of compensation is £37,315 p.a. for benefits commencing at 65, and
* £31,275 p.a. for benefits commencing at age 60. For this purpose, benefits comprise of pension and the pension equivalent of any separate cash sum.
* For pensionable service of 21 years or more, the compensation cap is increased by 3% per complete year of pensionable service above 20 years, up to a maximum of double the standard compensation cap.
* Pensions will also receive LPI indexation, capped at 2.5%, on benefits attributable to service after 5 April 1997, and a spouse’s benefit on death.

**10 marks**

1. **List the information that must be provided to all members and beneficiaries when a scheme is wound up, including the timescales in which the information must be provided.**

Answer should cover:

When a scheme is being wound up, the trustees must issue a notice in writing to inform all members and beneficiaries within one month of the winding up having commenced.

In addition, this notice must:

* Give the reasons the scheme is being wound up
* Give a statement to active members on whether death benefits will continue to be provided
* Inform members whether an independent trustee has been appointed (generally only relevant for defined benefit schemes)
* Supply a name and address for further enquires

The trustees also need to issue a progress report to members at least every 12 months thereafter. These subsequent reports must give details of:

* Action being taken to recover any assets not immediately available
* The estimated date when final details of members’ benefits are likely to be known, and
* The extent (if any) to which the value of the member’s benefits is likely to be reduced (unlikely to be relevant for DC schemes)

**10 marks**

1. **Explain the tax treatment of overseas pensioners.**

Answer should cover:

When an individual resident overseas retires, any enhancements to the LTA as a result of periods of non UK residency must be taken into account when testing the benefits against their available LTA.

Following retirement, the scheme will need to provide the member with a statement of the percentage of the standard LTA that has been used up under the scheme, within three months of the BCE and annually thereafter, until the member reaches age 75. If a Lifetime Allowance charge is payable, the Scheme Administrator will also need to provide details of the chargeable amount, how it was calculated, what the tax charge was and whether it has been paid.

In most cases, payment of pensions to a foreign country is permitted and Double Taxation Agreements (DTAs) ensure that pensions are not taxed twice. There are DTAs between most industrialised countries covering salaries, dividends, royalties and other payments including pensions. In most cases, but not all, the pension is paid gross from the country where the scheme is located and is taxable in the country where it is received

**10 marks**

1. **List the main changes to the Code of Good Practice on Combatting Pension Scams made in June 2019.**

Answer should cover:

* The main changes to the Code from the previous version (2.0) are:
* The Cold Calling ban
* Revised Action Fraud reporting guidance
* TPR/FCA ScamSmart campaign and TPR Threat Assessment update
* The Pension Ombudsman (TPO)
* The rise of claims management firms
* FCA-TPR-YPAS joint protocol
* Additional case studies

The Code will be reviewed and updated on a regular basis to ensure it reflects current risks and good practice.

**5 marks**

1. **Explain the Government’s 10 steps to Cyber Security.**

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.

**10 marks**