

THE PENSIONS MANAGEMENT INSTITUTE

QUALIFYING EXAMINATION 2017

RETAIL ADVICE AND REGULATION

**Notes: Three hours are allowed for this paper. Answer all parts of all questions. In a multi-part question when the marks are not equally divided a guide to the available marks for each part is shown. A small number of marks may be awarded for appropriate and relevant communication and formatting.**

1. A long-standing client has approached you for advice in relation to his Defined Benefit Occupational Pension Scheme of which he is currently a deferred member. Due to the funding position of the Scheme, his employer has offered him an inducement should he transfer his benefits out of the Scheme and he would like your advice in relation to this matter. The client was an active member of the pension scheme for 15 years and the amount of the pension accrued to date is £8,750 per annum. The employer is offering an enhancement of 10% of the CETV (cash equivalent transfer value) if your client takes the option to transfer his benefits. He is likely to retire in the next 5 years. Produce a suitability report confirming your recommendations, focusing on:
- Relevant information that has been collated as part of the fact-finding process – both on a personal basis and information in relation to the existing benefits (20 marks)
  - Your advice as to whether he should take the inducement – focusing on the advantages and disadvantages of your recommendation to ensure the client is fully informed (13 marks)
  - Details of his pension entitlement under the Pension Protection Fund. (7 marks)

Candidates should be aware that marks are available for the format and clarity of the suitability report. Therefore, consideration should be given to the client's taxation status, attitude to risk, costs and consequences of implementing the advice and the service levels to be expected from you as the Financial Adviser (5 marks).

**(45 marks available for this question)**

2. List the conditions that an employer must meet to enable it to promote its group personal pension scheme to its employees.

If these conditions are not met explain the action that the employer must take. (10 marks)

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3. Explain the term 'Breach of Trust' and the potential liability for a Trustee who commits such a breach. (10 marks)
4. You are a newly appointed Compliance Manager at a firm of Independent Financial Advisers (IFAs). Write a briefing paper on the Financial Advice Market Review (FAMR), focusing on:
- the reasons why the review was instigated, (6 marks) and
  - the three recommendations of the review. (14 marks)
5. In relation to a life assurance contract:
- List the conditions that must be fulfilled for the contract to be binding (10 marks)
  - Define the term "contractual capacity" and briefly outline the types of individuals who would be affected. (5 marks)

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