

Award in Pension Trusteeship (APT) Sample Paper

Level 3 Examination
60 Questions, Multiple Choice
Time Allowed: 90 minutes

Instructions to Candidates

- This paper consists of **60 multiple-choice questions**, each with **four options (a, b, c, d)**.
- Select **one correct answer** per question.
- Each question is worth **1 mark**.
- Calculators are not permitted.

Exam Questions

1. What is the primary purpose of an occupational pension scheme?
 - a) To provide tax-free income for employers
 - b) To manage corporate profits
 - c) To provide pension and other benefits for employees upon retirement
 - d) To invest in government bonds only
2. What is a key duty of a pension scheme trustee?
 - a) To maximize the employer's profits
 - b) To act in the best interests of scheme beneficiaries
 - c) To manage the employer's day-to-day operations
 - d) To set national pension policy
3. What should trustees maintain to ensure good governance?
 - a) A marketing plan
 - b) A corporate budget
 - c) A public relations strategy
 - d) A risk register

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4. Which legislation sets out the requirements for trustee knowledge and understanding?
 - a) Companies Act 2006
 - b) Finance Act 2010
 - c) Pensions Act 2004
 - d) Employment Rights Act 1996

 5. What is a key benefit of diversification in pension scheme investments?
 - a) Guarantees high returns
 - b) Reduces investment risk
 - c) Eliminates the need for professional advice
 - d) Reduces administrative costs

 6. What does the employer covenant refer to in a DB scheme?
 - a) The trustees' investment strategy
 - b) The members' contribution rate
 - c) The scheme's tax status
 - d) The employer's ability to meet pension liabilities

 7. What is a key assumption used to measure the funding position of a DB scheme?
 - a) Employee salary levels
 - b) Annual company profits
 - c) Life expectancy of members
 - d) Stock market indices

 8. What is the purpose of a recovery plan in a DB scheme?
 - a) To increase member contributions
 - b) To address a funding deficit
 - c) To change the scheme's investment strategy
 - d) To terminate the scheme

 9. What is a key risk to good member outcomes in a DC scheme?
 - a) Poor investment performance
 - b) High employer contributions
 - c) Guaranteed returns
 - d) Fixed pension benefits

10. What is a default investment strategy in a DC scheme?
 - a) A strategy chosen by the employer only
 - b) A high-risk investment portfolio
 - c) A pre-selected investment option for members who don't choose
 - d) A strategy that guarantees returns
11. What tool can trustees use to formulate investment strategy in a DB scheme?
 - a) Employee surveys
 - b) Stochastic modelling
 - c) Marketing analysis
 - d) Tax forecasts
12. Who is considered a scheme beneficiary?
 - a) Only active employees
 - b) Only the employer
 - c) Only retired members
 - d) Anyone entitled to benefits now or in the future
13. How often should trustees review their knowledge and understanding?
 - a) Every five years
 - b) Annually
 - c) Only at appointment
 - d) Every ten years
14. What is a key responsibility when working with scheme advisers?
 - a) Setting their fees
 - b) Managing their daily tasks
 - c) Monitoring their performance
 - d) Approving their marketing plans
15. What is the role of The Pensions Regulator?
 - a) To manage pension funds directly
 - b) To set interest rates
 - c) To provide financial advice to members
 - d) To regulate work-based pension schemes

16. What does active management involve in pension investments?
 - a) Investing only in index funds
 - b) Selecting investments to outperform a benchmark
 - c) Avoiding all equity investments
 - d) Guaranteeing fixed returns
17. How are benefits typically calculated in a DB scheme?
 - a) Based on investment performance
 - b) Based on employer profits
 - c) Based on salary and years of service
 - d) Based on member contributions only
18. What is a statutory funding objective in a DB scheme?
 - a) To maximise investment returns
 - b) To reduce member contributions
 - c) To increase employer profits
 - d) To ensure sufficient assets to cover liabilities
19. What document outlines the funding principles of a DB scheme?
 - a) Statement of Investment Principles
 - b) Trust Deed
 - c) Member Handbook
 - d) Statement of Funding Principles
20. What should trustees communicate to DC scheme members?
 - a) The employer's financial statements
 - b) Risks and charges of investment options
 - c) The trustee board's fees
 - d) The scheme's tax filings
21. What is a key consideration when selecting a default investment strategy?
 - a) Minimising member involvement
 - b) Maximising short-term gains
 - c) Matching member risk profiles
 - d) Avoiding all equity investments

22. What is a benefit of scenario analysis in DB investment strategy?
- a) Guarantees high returns
 - b) Assesses impact of different economic conditions
 - c) Eliminates all investment risks
 - d) Reduces administrative costs
23. What is a characteristic of a contributory pension scheme?
- a) Only employer contributions
 - b) No contributions required
 - c) Only employee contributions
 - d) Both employer and employee contributions
24. What must trustees declare to manage conflicts of interest?
- a) Personal financial investments
 - b) Actual and potential conflicts
 - c) Their annual leave plans
 - d) Their professional qualifications
25. What is a key aspect of maintaining member data?
- a) Sharing data publicly
 - b) Limiting data to active members only
 - c) Ensuring data accuracy and security
 - d) Storing data indefinitely
26. What does the Pensions Act 2004 require of trustees?
- a) To manage corporate budgets
 - b) To set employee salaries
 - c) To approve employer investments
 - d) To have knowledge of pension and trust law
27. What is a characteristic of passive investment management?
- a) Selecting stocks to outperform
 - b) Tracking a market index
 - c) Avoiding all equity investments
 - d) Only reviewing investment performance triennially

28. What indicates a risk to the employer covenant in a DB scheme?
- a) Low member contributions
 - b) Weak investment returns
 - c) Declining employer financial health
 - d) Increased member benefits
29. What measure is used to determine the funding level of a DB scheme?
- a) Total contributions (employee and employer)
 - b) Investment returns
 - c) Employer profits
 - d) Technical provisions
30. How often should a DB scheme's recovery plan be reviewed?
- a) Every ten years
 - b) As part of the triennial valuation
 - c) Annually
 - d) Only at scheme wind-up
31. What is a key factor affecting DC scheme outcomes?
- a) Employer's financial health
 - b) Fixed pension benefits
 - c) Contribution levels
 - d) Government bond rates
32. What should trustees monitor in a DC scheme's investments?
- a) Employer's marketing strategy
 - b) Member's investment choices
 - c) Scheme's tax filings
 - d) Investment performance and charges
33. What is a purpose of stochastic modelling in DB investments?
- a) To guarantee returns
 - b) To assess a range of possible outcomes
 - c) To eliminate all risks
 - d) To reduce administrative costs

34. What type of pension scheme is defined by its benefits?
- a) Defined Contribution (DC)
 - b) Personal Pension
 - c) Stakeholder Pension
 - d) Defined Benefit (DB)
35. What is a trustee's responsibility regarding scheme documents?
- a) To draft all documents
 - b) To publish documents publicly
 - c) To be familiar with key documents
 - d) To approve member contributions
36. What is a purpose of a risk management process?
- a) To increase investment returns
 - b) To identify and prioritise risks
 - c) To increase member benefits
 - d) To manage employer operations
37. What is a trustee's duty regarding member disputes?
- a) To resolve disputes without a process
 - b) To delegate the resolution of disputes to the employer
 - c) To ignore minor disputes
 - d) To follow a formal dispute resolution procedure
38. What is a key risk in pension scheme investments?
- a) Guaranteed returns
 - b) Fixed interest rates
 - c) Market volatility
 - d) Stable economic cycles
39. What is a feature of DB scheme benefits?
- a) Linked to investment performance
 - b) Determined by member choice
 - c) Based on contributions
 - d) Based on a fixed formula

40. What is a purpose of a scheme valuation?
- a) To set member contributions
 - b) To assess the scheme's funding position
 - c) To determine investment returns
 - d) To approve employer budgets
41. What is included in a DB scheme's statement of funding principles?
- a) Member retirement options
 - b) Investment performance targets
 - c) Assumptions for funding calculations
 - d) Employer's financial statements
42. What should DC scheme trustees ensure about charges?
- a) They are always the lowest possible
 - b) They are fixed annually
 - c) They are paid by the employer
 - d) They provide value for money
43. What is a key factor in setting a DC investment strategy?
- a) Employer's financial goals
 - b) Member demographics and risk tolerance
 - c) Government tax policies
 - d) Trustees' personal preferences
44. What is a benefit of reviewing the investment strategy in a DB scheme?
- a) Guarantees high returns
 - b) Reduces member contributions
 - c) Aligns with funding objectives
 - d) Eliminates all risks
45. What is a non-contributory pension scheme?
- a) Funded by employee contributions only
 - b) Funded by employer contributions only
 - c) Funded by government grants
 - d) Funded by investment returns only

46. What protection might a trustee have against liability?
- a) Personal insurance only
 - b) Employer guarantees
 - c) Government exemptions
 - d) Clauses in the trust deed
47. What is a key task when working with service providers?
- a) Setting their marketing strategy
 - b) Managing their staff
 - c) Establishing clear service level agreements
 - d) Approving their budgets
48. What is a trustee's responsibility regarding tax treatment?
- a) To set tax rates
 - b) To file taxes for members
 - c) To exempt the scheme from taxes
 - d) To understand tax implications for pensions
49. What is a characteristic of a balanced investment portfolio?
- a) Invests in a single asset class
 - b) Avoids all equity investments
 - c) Includes a mix of asset types
 - d) Guarantees fixed returns
50. What is a risk to a DB scheme's funding?
- a) Low member contributions
 - b) Stable investment returns
 - c) Fixed benefit payments
 - d) Weak employer covenant
51. What is a technical provision in a DB scheme?
- a) A reserve for administrative costs
 - b) An estimate of liabilities to meet benefits
 - c) A reserve to even out employer contributions
 - d) A tax reserve

52. What is a trustee's role in a DB recovery plan?
- a) To set member contribution rates
 - b) To agree on measures to address deficits
 - c) To manage daily investments
 - d) To approve employer budgets
53. What should DC trustees encourage members to do?
- a) Avoid all investment risk
 - b) Increase employee contributions
 - c) Seek advice for retirement decisions
 - d) Invest in the default investment fund
54. What is a purpose of monitoring DC investment performance?
- a) To guarantee high returns
 - b) To reduce employer contributions
 - c) To eliminate all charges
 - d) To ensure alignment with member needs
55. What is a benefit of projection modelling in DB investments?
- a) Eliminates all risks
 - b) Forecasts future funding needs
 - c) Guarantees fixed returns
 - d) Increases member benefits
56. What is a hybrid pension scheme?
- a) Combines DB and DC elements
 - b) Funded by government only
 - c) Invests in more than one asset class
 - d) Offers various different benefits to members
57. What should trustees do at board meetings?
- a) Allow advisers to make all decisions
 - b) Manage employer operations
 - c) Approve member salaries for pension purposes
 - d) Review scheme performance

58. What is a purpose of a 'check your scheme' worksheet?
- a) To set investment targets
 - b) To apply learning to your scheme
 - c) To manage employer finances
 - d) To improve member benefits
59. What is a state pension?
- a) A private pension scheme
 - b) A corporate investment fund
 - c) A government-provided pension
 - d) A trustee-managed fund
60. What is a key principle of risk and reward in investments?
- a) Higher risk may lead to higher returns
 - b) All investments are risk-free over the long term
 - c) Low risk guarantees high returns
 - d) Risk has no impact on returns

End of Paper