

Examiners' Report - Core Unit 2 – Regulation of Retirement Provision -April 2025

Summary

It is the view of the Examiners that, overall, the scripts marked during this exam sitting were poor, when compared to previous exam sittings. Only one candidate achieved a pass, one candidate was a borderline fail, and the remaining candidates were clear fails below 45%.

In addition to commentary on the April 2025 questions below, it appeared to the Examiners that candidates had not learned significant sections of the study material in enough detail and were unable to provide sufficient key points to gain enough marks. The Examiners would like to highlight to candidates the importance of ensuring that they learn the study material thoroughly during their exam preparation.

Question 1 (5 marks)

List the criteria that trustees must satisfy when exercising a discretion.

- Only 2 candidates were able to list all 5 criteria for the 5 marks, and the average mark for this question across all candidates was less than 3.
- Some candidates had not learned the material, as the criteria were clearly bulleted in the study manual.

The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapter 2.12 (Exercise of Discretions), page 81.

Question 2 (20 marks)

You are the Chair of Trustees of the ABC Pension Scheme. A newly appointed trustee has asked you to provide information about the duties of the Scheme Administrator. Prepare a briefing paper for the trustee, outlining these duties in respect of:

- (i) Record-Keeping requirements (6 marks)**
- (ii) Information requirements (14 marks)**

- Over half of the candidates did not set out their answer in the format of a paper (1 mark).
- One third of candidates scored highly.
- The remaining two thirds of candidates scored 5 marks or lower out of 20, and clearly had not learned the information in the manual.

The relevant section of the study manual - Part 1 (The Taxation and Regulation of Retirement Provision), Chapter 1.2.1 (Duties of the Scheme Administrator), page 25.

Question 3 (15 marks)

There have been a number of Pensions Ombudsman Determinations on pensions liberation. These include three similar cases, each involving a transfer from a personal pension scheme to an occupational pension scheme, (Jerrard (PO-3809), Stobie (PO-3105) and Kenyon (PO-1837)) where the transferring schemes had refused to pay the transfer values because they suspected that the transfers would result in pensions liberation.

Describe:

- (i) some of the reasons suspicions arose (3 marks);**
- (ii) the issues the Ombudsman considered (9 marks); and**

(iii) the suggestions made by the Ombudsman for these cases (3 marks).

- This question was generally answered very poorly.
- 2 candidates achieved approximately half of the 15 marks.
- Over half of the candidates achieved less than 5 marks.
- Candidates had failed to learn the material sufficiently enough to gain an understanding of the Ombudsman's approach to pensions liberation cases.

The relevant section of the study manual - Part 6 (Current Issues), Chapter 2.4 (Pensions Ombudsman Determinations), pages 168 and 169.

Question 4 (10 marks)

Prepare notes outlining the position applicable to DC schemes, in relation to the recovery of VAT.

- Only 3 candidates performed well on this question and demonstrated an understanding of the question.
- Two thirds of candidates scored 2 marks or less.
- Less than one third of candidates were able to state the basic facts that VAT incurred by the trustees is a pension scheme expense and that VAT may be recoverable by the employer in certain circumstances.

The relevant section of the study manual - Part 3 (Other Relevant Areas of Law), Chapter 1.8 (Recovery of Value Added Tax (VAT)), page 114.

Question 5 (20 marks)

Prepare slides for the trustee board of one of the Company's two defined benefit pension schemes about a planned scheme merger.

Your slides should cover, in detail:

- (i) how scheme mergers can be achieved (3 marks);**
- (ii) transfers with and without members' consent (10 marks);**
- (iii) funding considerations (3 marks);**
- (iv) benefits for transferring members in the receiving scheme (2 marks); and**
- (v) the tax treatment of the transfers (2 marks).**

- Poorly answered overall - only 1 candidate scored more than 11.5 marks out of a possible 20.
- Part (i) was answered well by the majority of candidates.
- Less than half of candidates demonstrated a good understanding of the key points required for Part (ii).
- None of the candidates gained the full 2 marks for Parts (iv) and (v).

The relevant section of the study manual - Part 4 (Corporate Transactions), Chapters 1.9.1 (How are Mergers Achieved?), 1.9.2 (Issues to be Considered) and 1.9.4 (Tax and Transfer Payment), pages 137 and 138.

Question 6 (15 marks)

List the key features of each of the following types of trustee:

- (i) Member-nominated Trustee/Director (5 marks);**
- (ii) Individual Trustee (5 marks);**
- (iii) Trust Corporation (5 marks).**

- Most candidates failed to provide sufficient key points to score highly overall.
- For Part (ii), almost three quarters of candidates scored full or almost full marks, but the remaining candidates failed to score any marks.

- Part (iii) was poorly answered, and all candidates scored less than 3 marks.

The relevant section of the study manual - Part 2 (Trust Law, The Role of Trustees and Establishing a Trust-Based Pension Scheme), Chapters 2.1.1 (Individual Trustee), 2.1.3 (Trust Corporation) and 2.1.7 (Member-nominated Trustees/Directors), pages 67 and 68.

Question 7 (5 marks)

In relation to pension options on divorce, describe some of the differences between Scottish Law and English law.

- Poorly answered by all but 2 candidates, and some candidates scored no marks.
- Most stated some facts about the treatment of pensions on divorce, but failed to cite key points relating to the different treatment across the two jurisdictions.
- Information for 4 of the available marks is contained on page 117, with a further 2 marks available from information in the subsequent sub-chapters.

The relevant section of the study manual - Part 3 (Other Relevant Areas of Law), Chapter 2.2 (Options on Divorce), pages 117, 118 and 119.

Question 8 (10 marks)

Draft a report outlining the role of the employer in ensuring good Scheme governance.

- Poorly answered overall.
- Very few candidates attempted the format of a report (1 mark).
- 1 candidate scored highly, with the remaining candidates all scoring less than 4 out of 10 marks

The relevant section of the study manual - Part 5 (Governance), Chapter 1.3 (Role of the Employer), page 150.

Generally, candidates are reminded to:

- Candidates should ensure they understand the structure of the course and CU2 syllabus.
- Prepare well by learning ALL of the study material thoroughly so that answers contain all the required detail
- Read questions carefully to determine which area of the study manual is being examined.
- Note that the number of marks available can be used to indicate the level of detail required in an answer.
- Take note of instructive words given in the question – for example "list" indicates that a list of key items is required, rather than a block of descriptive text.
- Take advantage of any bonus marks available for formatting i.e. set your answer out in the form of a paper, report, letter etc, if the question requires this.
- Avoid spending too much time providing information which has not been asked for, or which is not described in similar detail in the Study Manual.