



Core Unit 3 – Running a Workplace Pension Scheme

Assignment 1 Notes

(Part 1 – Design and Part 2 – Automatic Enrolment)

Recommended Time: 1 Hour

1. **List the information relating to scheme contributions that a DC administration system should hold.**

10 marks

Answer should cover:

- Identification of relevant contribution ‘stream’ for each member - can include:
 - Employee regular contributions
 - Employer regular contributions
 - Additional Voluntary Contributions
 - Any employer special contributions received
 - Transfers in received

For each type or ‘stream’ of contribution the administration system should hold a record of:

- The contribution rate – i.e. whether a percentage of salary or a fixed monetary amount
- The amount of contribution received and date of receipt
- The units purchased and date of purchase for each investment relative to that ‘stream’

Relevant section of the manual is Part 1 Chapter 1.4.2



2. In connection with the automatic enrolment requirements, outline the minimum contributions and available alternative quality requirements for DC schemes.

10 marks

Answer should cover:

- the minimum contribution requirement for DC arrangements will be phased in. For the period between the employer's staging date and 5 April 2019 the minimum contributions will be:

Salary definition	Minimum total contribution	Minimum employer contribution
Staging date to 5 April 2018	2%	1%
6 April 2018 to 5 April 2019	5%	2%
From 6 April 2019	8%	3%

- Similar phasing is also available for schemes using one of the alternative quality requirement tests.
- The minimum contributions and available alternative quality requirements are summarised below:

Salary definition	Minimum total contribution	Minimum employer contribution
Qualifying earnings (earnings between £5,876 and £45,000 in 2017/18)	8%	3%
Gross earnings	7%	3%
Basic pay (if basic pay is at least 85% total earnings)	8%	3%
Basic pay (if not at least 85% total earnings)	9%	4%

Relevant sections of the manual are Part 2 Chapters 1.9 & 1.10

3. List the minimum data in respect of member details that should be stored on a computer system to allow the successful administration of a DC scheme.

5 marks

Answer should cover:

The following items should be the minimum data stored:

- Date joined company
- Date joined scheme
- National Insurance number
- Pensionable pay
- Membership category
- Investment choices – lifestyling switch dates

Relevant section of the manual is Part 1 Chapter 1.4.1



4. List the key features of a master trust.

5 marks

Answer should cover:

The main features of the operation of a Master Trust are as follows:

- Collection, reconciliation and central functions
- Administration of accounts
- Investment and fund management
- Accessing pensions savings. From 6 April 2015, savers have more options available to them when they retire

Relevant section of the manual is Part 2 Chapter 2.2

5. Explain the different categories of workers for automatic enrolment and the action required for each of them.

5 marks

Answer should cover:

New employees should be automatically enrolled to the scheme as soon as they are eligible without the member needing to do anything (such as make a choice or fill in a form. Eligibility is assessed on the employee's first day of work. Place of work should be in Great Britain and there are three eligibility categories:

- An Entitled Worker (EW) - aged between 16 and 74 and earning less than £5,876 (2017/18);
- A Non-eligible jobholder (NEJ) - aged between 16 and 74 and earning between £5,876 and £10,000 (2017/18) OR aged between 16 and 21, or between State Pension Age and age 74, and earning above £10,000 (2017/18); and
- An Eligible Jobholder (EJ) – aged between 22 and SPA and earning above £10,000 (2017/18)

The action needed for each new employee is dependent upon which of the three categories above they fall under.

- If an EW they should be informed that they will not be automatically enrolled but that they can opt into a scheme:
- If an NEJ they should be informed that they will not be automatically enrolled but that they can opt into a qualifying scheme:
- If an EJ they should be automatically enrolled and they should be informed that they have been automatically enrolled and the procedure if they want to opt out.

A scheme's re-enrolment dates will usually be around the 3-yearly anniversaries of the employer's automatic enrolment date. An Eligible jobholders who has opted out will be automatically re-enrolled on the next re-enrolment date. Non-eligible jobholders and Entitled Workers remain outside the scheme unless they become an eligible jobholder, in which case they are automatically enrolled as under the process described above, or unless they ask to join the scheme.

Relevant sections of the manual are Part 2 Chapters 1.6, 1.7 & 1.12



6. Write a brief note on the General Data Protection Regulations.

10 marks

Answer should cover:

- The new EU General Data Protection Regulation (GDPR) will replace requirements under the DPA1998 and will come into effect throughout the EU on 25 May 2018.
- GDPR will still apply in the UK post Brexit.
- The main concepts and principles from the DPA1998 are the same under GDPR but there are new requirements and significant enhancements that will need to be considered.
- The GDPR applies to “controllers” and “processors” and the definitions are broadly the same as under DPA1998.
- The definition of personal data has been expanded and now includes a range of personal identifiers, for example, a member’s IP address.
- The GDPR also governs use of any other personal data that enables a living individual to be identified directly or indirect. This includes name, address, social security number and email-address.
- The GDPR also covers special categories of personal data which replaces what is currently known as sensitive personal data. This category includes items such as health and sexual-orientation. This type of data is subject to additional protection.
- Individuals will continue to have a right to access their data. However, the period allowed to respond to such requests will reduce from 40 days to one month. At the same time the option to charge for such requests will be removed.
- Under existing legislation, only the data controller may be fined in the event of a data breach. Under the new rules data processors may also be fined.
- The maximum penalty will be increased to the higher of 20 million Euros or 4% of worldwide annual turnover.

Relevant section of the manual is Part 1 Chapter 2.2

7. List the common reasons why employers may decide to use postponement

5 marks

Answer should cover:

Common reasons for employers deciding to use postponement include:

- alignment with flexible benefits scheme year in order to facilitate payroll processing (e.g. alignment of weekly and monthly pay reference periods)
- management of peaks in earnings
- high staff turnover
- to avoid automatically enrolling temporary staff whose employment does not last beyond the end of the postponement period
- it allows workers to be re-assessed at a point when earnings are more likely to be representative of typical levels

Relevant section of the manual is Part 2 Chapter 1.8