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ACHIEVING PENSIONS EXCELLENCE

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Core Unit 4

Financing and Investing for Retirement Provision

Assignment 1

(Part 1 – Funding and Taxation)
Recommended Time: 1 hour

1. Explain the reasons why companies typically choose to fund in advance for pension provision. Many public sector occupational schemes are different in this regard; which schemes does this apply to, how are they different and why?

10 marks

2. Pension schemes that are registered with HMRC are subject to certain rules. Describe the rules regarding the following:

a) The age when benefits can be taken and the form of benefits (cash lump sum, annuity or other)
b) The extent to which tax relief on contributions is limited
c) The Lifetime Allowance

10 marks

3. What is meant by an unauthorised payment, how are they taxed and how must they be reported?

10 marks

4. What is meant by “scheme pays” and how does it work?

5 marks

5. What are employer-financed schemes and how are they taxed?

5 marks

6. Investment income and capital gains are tax exempt in a registered scheme. Explain the following:

a) The circumstances under which tax exemption is not available
b) How pension schemes investing in insurance policies obtain their tax exemption.

10 marks