



# Defined Contribution Arrangements

## Assignment 2 Notes

*(Part 2 – Administration of Workplace Defined Contribution Schemes)*

*Recommended Time: 3 hours*

- 1. You are the Secretary to the Trustees and you have been asked to put a paper together on the Pensions Regulator (TPR). In this paper, include TPR's role, objectives and powers, the whistleblowing requirements and how it provides assistance to trustees.**

**20 marks**

Format: Report, title/heading, contents, summary, main text, conclusions

Style: Formal

Answer should cover:

- TPR's role and objectives including assessing risks to members' benefits
- Compliance and audit regime
- Information gathering, scheme returns and other sources
- Whistleblowing breaches of the law and who the whistleblowing requirements apply to
- List of TPR's Codes of Practice
- Powers of TPR

(The relevant section of the Study Manual is Part 2, Chapter 1.2)

- 2. Briefly explain the scheme registration process and what information is required in order to register a new scheme.**

**10 marks**

Answer should cover:

- Registration of schemes using the Manage and Register Pension Schemes Online Service
- HMRC's approval process and relevant deadlines
- Reasons for refusal outlined in the Finance Act 2014
- Details of the declarations made by the Scheme Administrator upon registration

(The relevant section of the Study Manual is Part 2, Chapter 1.1.1 and 1.1.)



3. You are the Pensions Manager for the DEF Defined Contribution Scheme and a member who has exceeded the Annual Allowance has written to you to enquire about Scheme Pays. He has also heard about the Money Purchase Annual Allowance in the news and has asked for some information about that. Prepare a letter to the member.

20 marks

Format: Letter, with correct salutation and appropriate introduction

Style: simple language conveying technical information with minimal jargon.

Answer should cover:

- When the Annual Allowance charge arises and what the charge is levied on
- How the charge is normally paid (Self Assessment return)
- Conditions for mandatory scheme pays
- How Scheme Pays works if there is a Tapered Annual Allowance
- Irrevocable elections and deadlines
- How benefits are reduced to take account of Scheme Pays
- When the scheme pays the tax charge
- What is the MPAA, why it was introduced and when it was reduced
- List of circumstances when MPAA is triggered
- MPAA triggered in another scheme
- Interaction with total pension savings i.e. alternative Annual Allowance for DB savings

(The relevant section of the Study Manual is Part 2, Chapter 2.2)

4. Briefly describe what is involved from an administrative perspective for each of the seven steps of the contribution cycle

20 marks

Answer should cover each of the seven steps, listed below, with a brief description of the main features of each of the steps.

- Payment
- Checking/reconciling contributions
- Switches
- Forwarding
- Contract notes
- Allocation
- Reporting/reconciling units purchased

(The relevant section of the Study Manual is Part 2, Chapter 2.5.4)



**5. You are the Scheme Accountant for the GHI Defined Contribution Scheme. Write some notes for a new trainee member on your team on the following:**

- a. The contents of the Trustees Annual Report and Accounts**
- b. Auditing requirements**

**20 marks**

Format: Introductory Paragraph, detailed information of each subject area, summary

Style: Formal, detailed and assuming no knowledge of the subject

Answer should cover:

- Background - disclosure and audit regulatory requirements for the Annual Report and Accounts
- List of what goes in the Annual Report and Accounts and separate list of what goes in the Trustees' Report
- Short description of the Investment and Auditor's Report and the Financial Statements
- Requirement to have an auditor to provide audited accounts
- Appointment/removal of an auditor
- List of schemes that do not need an auditor
- The standard audit opinion
- What happens during an audit, sampling techniques
- Audit trails and their importance

(The relevant section of the Study Manual is Part 2, Chapter 1.7)

**6. Outline the impact of the Money Laundering Regulations introduced in June 2017 on pension schemes.**

**10 marks**

Answer should cover:

- Trust Registration Scheme (TRS) service and when this should be used
- Reportable tax liabilities
- Details of the circumstances whereby a scheme does not have to register as a trust
- Record keeping and maintenance

(The relevant section of the Study Manual is Part 2, Chapter 1.4)