
Joint Financial Services Diploma

Life Administration Certificate

Pensions

Study/Examination Guide*

2009/2010



*This guide relates to examinations based on September 2009 edition text.

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PENSIONS STUDY/EXAMINATION GUIDE

INTRODUCTION

This Examination Guide has been produced to help students to prepare for the *Pensions Module* Examination.

THE MODULE OUTLINE

Module Title	Pensions
European Credit Transfer System Credits (ECTS)	5 ECTS Credits
Independent Study	The time needed to assimilate and understand the module content will vary from student to student. Nevertheless, we recommend that students need to undertake in the region of 100 hours of independent study.
Assessment	This module is assessed by an end of module examination, which consists of 80 multiple choice-style exam questions. The pass mark is 50% . The examination will be 1 ½ hours in duration.
Indicative Module Description	This module introduces students to the financial rational for retirement provision. The module details the different forms of retirement provision, including State Pensions. The module examines the different products and arrangements used to make private retirement provision, in terms of their eligibility, features, benefits and taxation treatment. This module also details the regulation of, and legislative restrictions on such products and arrangements.
High Level Module Learning Outcomes	On completion of this module students will be able to: <ul style="list-style-type: none">• Describe the financial need for retirement provision, and the different ways in which such provision can be made.• Explain the eligibility, main features, benefits and taxation treatment of; State, individual and employer sponsored retirement benefit arrangements.• Identify the main regulatory restrictions applicable to individual and employer sponsored retirement benefit arrangements.• Discuss and demonstrate the impact of taxation, legislation and the regulatory framework on the provision of individual and employer sponsored retirement benefit arrangements and the options available to individuals in relation to such arrangements.
Core Text	Pensions, published by LIA/III/IoB - 2009 10 Edition 1

PENSIONS STUDY/EXAMINATION GUIDE

THE EXAMINATION

The assessment is via an end of module 90 minute (1.5 hours) Examination. The Examination format is Multiple Choice Examination (MCQ), in which candidates will be required to answer 80 MCQs. All the questions in the examination are in the form of "one from four" multiple choice (select one from options A, B, C or D).

Candidates will pass on achieving a score of 50%.

The MCQ answers will be scored thus:

For each correct answer a candidate will score 3 marks

For each incorrect answer a candidate will score -1 mark (minus one mark)

For each unanswered question a candidate will score 0 marks

The exam will be marked out of 240 marks (80 x 3 = 240)

To explain using an example:

Where a candidate gets 50 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $50 \times 3 = 150$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) – $(80-50 = 30$ incorrect answers) $30 \times -1 = -30$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(150 - 30)/240 = 120/240 = 50\%$ (where the new pass % is 50%)

Where a candidate gets 60 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $60 \times 3 = 180$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) $(80-60 = 20$ incorrect answers) $20 \times -1 = -20$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(180 - 20)/240 = 160/240 = 66.67\%$ (where the new pass % is 50%)

Where a candidate gets 40 of the 80 answers correct what would they score?

For each correct answer they will get 3 marks: $40 \times 3 = 120$

For each incorrect answer they will get -1 marks (assume they answered all the other questions incorrectly) $(80-40 = 40$ incorrect answers) $40 \times -1 = -40$

We have assumed they answered all questions; so no unanswered question score is recorded

The result is then calculated thus:

$(120 - 40)/240 = 80/240 = 33.33\%$ (where the new pass % is 50%)

The change to MCQ scoring together with the new pass mark are designed to neither benefit nor disadvantage candidates but to neutrally implement the 50% pass mark.

In the above examples we have assumed that the candidate answered all the incorrect answers, had they left them blank then their score would have been higher.

Please note that the introduction of both the 50% pass mark and the above described MCQ scoring regime represents changes commencing the academic year 2009|10.

A Pass is achieved with at least 50 out of 80 answered correctly and all other answered incorrectly.

PENSIONS STUDY/EXAMINATION GUIDE

The examination papers are made up, as far as possible, of 50% Knowledge, 25% Understanding and 25% Application questions.

In order to clarify the three types of question we have taken examples of them from the sample paper and explain the difference here.

Knowledge

Knowledge questions focus on the memorisation and recall of terms, facts, methods and principles (factual information) which underpin the theories, concepts or methods of the subject matter.

Joe works as a self employed electrician.

His income from this activity is assessed for income tax under which Schedule?

- A** Schedule C
- B** Schedule D
- C** Schedule E
- D** Schedule F

Understanding

An understanding question will test whether you have a deeper grasp of the subject matter than the simple facts. It is likely, although not certain, that these type of questions will ask 'how' or 'why'. They will require more thought to answer them than the knowledge type of question.

Maria is in non pensionable employment. She is aged 48.

A Personal Retirement Savings Account (PRSA) is likely to be more suitable for her than a Personal Pension Plan because with a PRSA she can:

- A** get more tax relief.
- B** take early retirement benefits from 50 onwards.
- C** take more of her retirement fund as a tax free lump sum.
- D** add on additional life cover.

Application

As the name suggests an application question will test whether you are able to use your knowledge and understanding to solve particular problems. They will always require more thinking than knowledge or understanding type questions.

John is drawing on his Personal Pension Plan. The Plan has an accumulated value of €250,000.

Assuming he is not currently receiving any pension income, and has not previously invested in an Approved Minimum Retirement Fund (AMRF) or annuity, what MAXIMUM amount can John transfer to an Approved Retirement Fund (ARF) from this Plan?

- A €38,500.
- B €43,810.
- C €62,500.
- D €63,810.

These are the three types of questions we will ask you. Each examination paper will broadly test the same areas of the module. So in order for you to study your core text with the examination in mind, we have set out the module learning outcomes in the table overleaf. From this table you will be able to see how the high level learning outcomes (at the module level) are broken down into Chapter level learning outcomes. These learning outcomes guide the construction of the examination paper. In addition, you will see the Chapter exam weighting; this corresponds broadly with the likely number of questions on the exam paper.

We would like to stress that the number of questions per chapter corresponds broadly with the chapter weighting provided and is given for guidance only. Due to the complex issues associated with examination setting, some variation from these indicative weightings per chapter may occur in actual examination papers.

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
Describe the financial need for retirement provision, and the different ways in which such provision can be made.	C1 Differentiate between earned and unearned income.	1.1 The need to replace earned income in Retirement	4 to 6%
	C1 Describe the main means by which financial provision can be made for retirement.	1.2 Different pillars of provision, State pensions, advance private provision, personal savings and investments and earnings in retirement	
	C1 Outline the main tax incentives offered to encourage people to make advance private provision for retirement and the main restrictions which apply to them.	1.3 Tax incentives for advance private provision, The main tax incentives, Restrictions	
	C1 Describe the main factors which can interrupt an individual's earned income.	1.4 Death and Disability	
Discuss and demonstrate the impact of taxation, legislation and the regulatory framework on the provision of individual and employer sponsored retirement benefit arrangements and the options available to individuals in relation to such arrangements.	C2 Explain the different Schedules and the types of income applicable to each Schedule, under which income is assessed to Income & Corporation Tax.	2.1 Income Tax, The Tax year, Schedules, Rates	5 to 7%
	C2 Differentiate between PAYE and self assessment Income Tax payment systems and list the important deadlines involved for self assessment.	2.1.4 Paying income tax PAYE and self assessment, income exemption relief, benefit in kind	
	C2 List the different rates of Corporation Tax payable by companies and when such tax is payable.	2.2 Corporation Tax, Structure, Payment, Rates, Pension contributions, paying out dividends	
	C2 Give an outline of Inheritance Tax, the main exemptions and calculate an individual Inheritance Tax liability.	2.3 Inheritance Tax; what is Inheritance Tax, spouse exemption, how is Inheritance Tax calculated, who pays the tax, pension benefits	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
Explain the eligibility, main features, benefits and taxation treatment of; State, individual and employer sponsored retirement benefit arrangements,	C3 Define the main PRSI classes and explain how entitlement to various Social Insurance benefits varies by PRSI contribution class.	3.1 Social Insurance Benefits, PRSI system, main social insurance benefits, the state pension (transition and contributory), state widows/widowers Contributory Pension, Illness benefit, invalidity pension	4% to 6%
Explain the eligibility, main features, benefits and taxation treatment of; State, individual and employer sponsored retirement benefit arrangements,	C3 Describe the main State Pension and other benefits available, the main circumstances in which they are payable and the taxation treatment of those benefits.	3.2 Social Assistance Benefits, state pension (non contributory, state widows/widowers non contributory pension, one parent family payment, the “means test” 3.3 State Pension Increases	10 to 12%
	C4 Discuss the main features, benefits and restrictions of Personal Pension Plans; eligibility to contribute, when and how benefits can be taken, and transferring to another plan or a PRSA.	4.1 Introduction to Personal Pension Plans 4.2 Approval of Personal Pension Plans, 4.3 Who can take out a Plan?, relevant earnings, proprietary directors, employer contributions 4.4 Provision of information, disclosure notice, cooling off period, annual statement of value 4.5 When can benefits be taken, retirement benefits, on earlier death 4.6 How benefits can be taken, tax free lump sum, annuity, approved retirement fund, taxable lump sum, AMRF/annuity requirement, mix of options, pre 6th April 1999 plans 4.7 Tax benefits, tax relief on contributions, tax free investment returns, tax free lump sums 4.8 Transferring to another Plan	
	C4 Explain the main features of Permanent Health Insurance (PHI) and Section 785 policies	4.9 Ill health, ill health retirement, waiver of premium, PHI 4.10 Death, Section 785	
	C4 Define what is meant by a self employed trust scheme and differentiate it from a Personal Pension Plan.	4.11 Self employed trust RAC schemes	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C5 List the main types of PRSA providers and describe the main information that must be provided by the provider to an individual taking out a PRSA.	5.2 PRSA providers 5.3 Approval of PRSA product 5.13 Provision of Information; preliminary disclosure certificate, cooling off period, statement of reasonable projection, consumer protection code, investment report, statement of account	4 to 6%
Explain the eligibility, main features, benefits and taxation treatment of; State, individual and employer sponsored retirement benefit arrangements,	C5 Describe the main features of PRSAs; eligibility, when and how benefits can be taken and transfers into and out of PRSAs.	5.1 Eligibility 5.3 Approval of PRSA product 5.4 Restrictions on charges 5.5 Investment funds 5.6 Retirement benefit options 5.8 Minimum contribution 5.9 Transfers into PRSAs; from a personal pension plan, payment of transfer value from an occupational pension scheme, payment of refund of contributions, transfer from an overseas pension arrangement 5.10 Transfers out of PRSAs 5.11 Small refunds	
Explain the main features, benefits and risks associated with; State, Personal and Occupational pension options available to clients	C5 Differentiate between a Standard and non Standard PRSA and discuss the circumstances in which an employer, must provide some or all of its employees with access to a Standard PRSA, and the obligations which apply to such employers.	5.4 Restrictions on charges 5.12 Compulsory Access; access, obligations on employer	
	C5 Explain the main tax benefits of a PRSA, including in particular the tax relief on contributions and the restrictions which apply.	5.7 Tax Relief on contributions; limits, PRSI, Health levy & Income levy, net pay,	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C6 Explain the main features of occupational pension schemes; their structure, eligibility, accumulation of funds, when and how benefits can be taken from such schemes.	6.1 Terminology; occupational pension scheme, cross border scheme, overseas pension scheme, statutory scheme 6.2 Approval and registration 6.3 Scheme types; funded or unfunded, who contributes; defining retirement benefits, investing the scheme funds 6.5 Structure of scheme; trust, trustees, scheme rules, administrator, registered administrator, parties involved, 6.6 Who can be included, Schedule E remuneration, 20% directors, spouses, part time and temporary employees, consultants and contractors, 6.7 Who can pay into the scheme 6.8 Member investment options 6.10 When may retirement benefits be taken; 6.14 Remittance and investment of contributions; obligations on employer, notification to employees, notification to scheme trustees, investment of scheme contributions by trustees 6.15 Death benefit only schemes; renewal date, free cover, paying for the cover 6.16 Ill health	20 to 22%
	C6 Differentiate between a defined benefit and a defined contribution occupational pension scheme and describe what a valuation of a defined benefit scheme is.	6.3 Scheme types; Defining retirement benefits 6.18 Buy Out Bonds 6.19 Valuation of defined benefit schemes; actuarial valuations, assumptions, defined benefit scheme wind up	
	C6 Describe the main features of tax relief on occupational pension scheme contributions, and the restrictions which apply and calculate the maximum Revenue approvable benefits a scheme may provide for an individual in a particular case on normal and early retirement.	6.4 Tax benefits 6.11 Maximum approvable benefits 6.17 Tax relief on contributions; employer contributions, employee contributions, overseas pension schemes, maximum funding rates	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C6 Assess the main benefits and options that apply to a member of an occupational pension scheme on leaving service.	6.9 What benefits can a scheme provide? 6.12 Typical benefits; Public Service schemes, private sector schemes 6.13 Leaving service; less than 2 years service, more than 2 years service, statutory preserved benefit options	
Explain the eligibility, main features, benefits and taxation treatment of; State, individual and employer sponsored retirement benefit arrangements,	C7 Assess the main features, structure, eligibility and restrictions of an Additional Voluntary Contribution (AVC).	7.1 What is an AVC 7.2 Who can take out an AVC? 7.4 Structure; defined contribution or benefit, different ways to pay AVCs 7.5 Restrictions 7.6 Taking AVC benefits, employer scheme – defined contribution, employer scheme - defined benefit, PRSA AVCs	3 to 5%
	C7 Describe the scope for AVCs.	7.3 The Scope for AVC's	
	C8 Identify the types of occupational pension schemes classified by the Revenue Commissioners as Small Self Administered Pension Schemes (SSAPS)	8.1 What is an SSAPS	1 to 4%
	C8 Discuss the additional operational restrictions Revenue impose on Small Self Administered Pension Schemes, including the principal functions of the Pensioner Trustee.	8.2 Pensioner Trustee 8.3 Investment Restrictions, revenue practice, statutory restrictions 8.4 Death in Service Benefits 8.5 Full commutation of pension 8.6 Information	
	C9 Explain what is meant by the terms annuity and annuity rate and discuss the different factors that can influence the level of annuity rate.	9.1 What is an annuity 9.2 The "purchase price" 9.3 Compulsory or voluntary purchase	
	C9 Use an annuity rate to calculate a pension from a particular level of fund, and calculate the fund required to provide a particular level of pension and discuss the different factors that can influence the level of annuity rate.	9.4 Annuity Rates; age & sex, ill health, annuity types, overlap, interest rates 9.5 Open Market 9.6 Guaranteed minimum annuity rates 9.7 Using annuity rates; annuity payable for a given lump sum, lump sum required to purchase a given level of annuity	5 to 7%

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C9 Differentiate between a Compulsory Purchase Annuity and a Purchased Life Annuity.	9.9 Taxation; compulsory purchase annuity, purchased life annuity, Hancock annuity, income levy	
	C9 Outline how a unit linked or with profit annuity differ from a conventional annuity.	9.8 With profit and unit linked annuities	
Discuss and demonstrate the impact of taxation, legislation and regulatory framework on the provision of individual and employer sponsored retirement benefit arrangements and the options available to individuals in relation to such arrangements.	C10 Describe an Approved Retirement Fund (ARF); who can invest in an ARF, how ARFs and benefits are taxed.	10.1 What is an ARF? 10.2 Qualifying Fund Managers 10.4 Death 10.5 Taxation; investment growth, on death 10.6 ARF Investments; Purchase of annuity, other investments	5 to 7%
	C10 Explain how lifetime withdrawals and imputed distributions from ARFs work.	10.3 Lifetime withdrawals; discretionary withdrawals, imputed distributions, bomb out risk	
	C10 Differentiate between an approved Minimum Retirement Fund and an ARF.	10.7 Approved Minimum Retirement Fund (AMRF) 10.8 Transfers	
	C10 Assess the relative advantages/disadvantages of investing in an ARF/AMRF compared to using the same funds to buy an annuity.	10.9 ARF vs Annuity 10.10 AMRF vs Annuity	
	C11 Describe the retirement benefit options available to a client, explain the tax free retirement lump sum limit and differentiate between Standard Fund Threshold and Personal Fund Thresholds and how they are calculated. Calculate the "chargeable excess" that may arise when an individual becomes entitled to retirement benefits from all pension arrangements from 7th December 2005.	11.1 Retirement benefit options 11.2 Tax free Retirement Lump Sum limit, limit, indexation, series of lump sums 11.3 Tax Relieved Pension Fund limit; calculation of chargeable excess, Threshold available, obtaining a BCE declaration, valuing retirement benefits	3 to 5%
	C12 Differentiate between collective and segregated investment management of pension fund assets.	12.1 Overview 12.2 Collective Investment; life company unit linked funds, unit trusts, exempt unit trusts, investment companies, UCITS	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
	C12 Describe the different forms of collective investment management.	12.3 Segregated investment management; Stockbroker ARF portfolio, self directed unit funds, self administered pension schemes, defined contribution/defined benefit schemes.	4 to 6%
	C12 Outline the main different investment management styles.	12.4 Investment management styles; active management, passive management, consensus management	
	C13 List the types of investments which, if made by an ARF, PRSA or occupational pension scheme trigger an immediate withdrawal of the assets from the relevant arrangements.	13.1 Approved Retirement Funds; restrictions, "connected with", Close company and participator 13.2 PRSAs	6 to 9%
	C13 Describe the responsibilities imposed on the trustees of certain occupational pension schemes and identify which schemes are now subject to such regulation.	13.3 Occupational Pension Schemes; borrowing, self dealing restrictions, investment regulations, Trustee Investment Expertise, Statement of Investment Policy Principles, summary of statutory restrictions	
	C14 Explain what a Pension Adjustment Order is and describe the two main types.	14.1 What is a Pension Adjustment order?, 14.2 What benefits can be covered by a PAO?, pension scheme benefits, trustees, benefits, contingent benefits, retirement benefits	3 to 5%
	C14 Identify who can apply for an Order, when it can be sought and who can benefit from an Order and on whom a Pension Adjustment Order is served.	14.3 Who can apply for a PAO? 14.4 Who can benefit from a PAO 14.5 Summary of PAOs	
Identify the main regulatory restrictions applicable to individual and employer sponsored retirement benefit arrangements.	C15 Discuss the main regulatory bodies involved in the regulation of different pension arrangements.	15.1 Regulatory bodies; Pensions Board, Revenue Commissioners, Financial Regulator, Society of Actuaries	5 to 7%
	C15 Describe the main requirements that occupational schemes must comply with under the Pensions Act, 1990.	15.2 Regulation of occupational pension schemes, scope of Pensions Act, 1990; valuation reports, the Annual Report, Audited accounts, individual benefit statement, principle of equal pension treatment, Eurostat returns	
	C15 List the main functions of the Pensions Ombudsman.	15.3 Pensions Ombudsman	
	C15 Identify the main whistle blowing obligations imposed by the Pensions Act 1990 in relation to both occupational pension schemes and PRSAs.	15.4 Whistle blowing; relevant person, reporting obligation, legal protection	

PENSIONS – MODULE LEARNING OUTCOMES

Module Learning Outcomes <i>On completion of this module, students should be able to:-</i>	Core text: Chapter Learning Outcomes <i>On completion of this chapter, students should be able to:-</i>	Core text: Indicative Content by Chapter	Exam Weighting (%)
Describe the financial need for retirement provision, and the different ways in which such provision can be made.	C16 Explain what flexible benefit plans are, and the main features of such benefits.	16.1 Benefit in Kinds 16.2 Share plans 16.3 Provision for ill health; short term sick pay, PHI, ill health pension scheme benefits 16.4 Flexible Benefits	1 to 3%

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STUDENT ANALYSIS REPORTS

Those who are **unsuccessful** in the examination are provided with individual feedback on their performance in the exam. This student analysis report will be posted with results transcripts.

Candidates should use the report to identify gaps in their knowledge and so inform their preparation for a future re-sit examination.

In order to preserve the integrity of our question bank we do NOT list the questions answered incorrectly but we do give the following information on these questions:-

- Question number
- Chapter and sub chapter reference from where the questions was derived
- The learning area

See the below example:

Private and Confidential

Ms Joan Bloggs
Any Street
Any Town
Any County

Membership Number: XXXXXX

MCQ EXAM REPORT

The following is your result:

Subject
Pensions Saturday 15th May 2010 10.00 - 11.30

Exam date: 15/05/2010

INDIVIDUAL EXAMINATION REPORT

Membership Number: XXXXXX

Number of questions on paper: 80

Number of questions answered by candidate: 79

Number of question answered correctly by candidate: 45 (45 x 3) = 135

Number of questions answered incorrectly by candidate: 34 (34 x -1) = -34

Exam Score (135- 34/240) = 42.5%

% Score in this test

% Total questions
43% 80

You answered the following questions incorrectly; we have provided you with an analysis of these questions which should prove useful in the preparation for the next exam sitting:

Question Section	Area Covered
8 Chapter 2.3.2	Pension scheme death benefits and Inheritance Tax
10 Chapter 3.1.1	Civil servants PRSI Class

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21	Chapter 4.10.1	Inclusive associated Section 785 policy
24	Chapter 5.9.2	Transferring from an occupational pension scheme into PRSA
30	Chapter 6.11.4	Maximum approvable lump sum
31	Chapter 6.11.1	Dynamising remuneration
36	Chapter 6.5.4	Administrator of the scheme
37	Chapter 6.6.2	Who can be included in an occupational pension scheme?
40	Chapter 6.11.8	Maximum immediate lump sum on ill health early retirement
42	Chapter 6.11.4	Maximum approvable lump sum
46	Chapter 7.5	Tax relief on AVCs
47	Chapter 8.1	What is an SSAPS
48	Chapter 8.3.1	Revenue practice investment restrictions on SSAPS
49	Chapter 9.3	Difference between CPA and PLA annuity rates
52	Chapter 9.3	What is a CPA?
53	Chapter 9.9.3	What is a Hancock annuity?
55	Chapter 10.3.2	Definition of ARF imputed distribution
56	Chapter 10.5.1	Taxation of ARF investment growth
59	Chapter 11.3.4	How DB pensions are valued for purposes of pension fund limits
60	Chapter 11.3.1	Standard Fund threshold amount in 2009
62	Chapter 12.2.5	Type of fund which can not be a UCITS
64	Chapter 12.2.1	What is a specialist unit fund?
69	Chapter 13.1, 13.2/13.2	Statutory investment restrictions
71	Chapter 13.1.1	ARF investment restrictions
74	Chapter 14.2.2	Pension Adjustment Order served on who
75	Chapter 15.1.1	Power of Pensions Board to investigate occupational pension scheme
76	Chapter 15.3	Who must have an IDR
77	Chapter 15.1.2	Products not subject to Revenue approval
78	Chapter 15.2.2	Regulation of occupational pension schemes
79	Chapter 15.4.2	To whom must whistle blowing report be made
80	Chapter 16.2	How long approved profit sharing shares must be held

PENSIONS STUDY/EXAMINATION GUIDE

SAMPLE EXAMINATION PAPER

A Sample Examination Paper is set out in this Examination Guide. It is designed to be of a standard similar to that of the *Pensions* Examination itself.

The questions have been picked in accordance with the exam weighting provided above.

You should ideally attempt this Sample Examination Paper under typical examination conditions, after you have studied the full course. You can then compare your answers with the Model Solutions for the Paper, enclosed at the end of this Guide.

STUDENTS SHOULD FAMILIARISE THEMSELVES THOROUGHLY WITH THE EXAMINATION INFORMATION BELOW AND INSTRUCTIONS ON THE FACE OF THE SAMPLE EXAMINATION PAPER.

EXAMINATION INFORMATION

- ◆ 1 ½ hours are allowed to complete the *Pensions Module* Examination paper.
- ◆ Each examination paper contains 80 Multiple Choice Questions
- ◆ Each question contains a problem or question posed, followed by a choice of four options, from which you are asked to choose one as being the correct response. Only one of the four options is correct.
- ◆ You must record your answer for each question on the MCQ Answer Sheet.
- ◆ You should pay particular attention to any words in a question which have been emphasised in capitals for example MINIMUM, MAXIMUM, MAIN, BEST, NOT, MOST, HIGHEST, LOWER, LOWEST, LATEST, CAN, PRIMARY, EITHER, FIRST, EXCLUDED, AUTOMATICALLY etc.
- ◆ **Three marks are awarded for each correct response, minus one mark is award for each incorrect response and zero is award for a non-response given to a Multiple Choice Question.**
- ◆ Unless otherwise stated, the examination is based on the taxation position in the 2009 tax year.
- ◆ You will be supplied in the Examination with:
 - A copy of the Revenue 'uplifted scales' for pension and lump sum benefits
 - A copy of the Revenue Benefit Capitalisation Factors used to calculate the maximum ordinary annual contributions for a member of a defined contribution occupational pension scheme.
 - The Threshold indexation factors for 2007 (1.033), 2008 (1.049) and 2009 (1.0) which apply each year to the previous year's Standard Fund Threshold or Personal Fund Threshold, as the case may be. While the Threshold Indexation factors will be supplied in the Examination Paper, you are expected to know in the examination the base Standard Fund Threshold (€5,000,000), to which these factors are applied to determine the limit for later years, and that the tax free lump sum limit is 25% of the relevant Standard Fund Threshold limit.
 - The Table of age related annual Tax Relief Limits in respect of all personal contributions made in 2009 to occupational pension schemes, AVCs, PRSAs, Personal Pension Plans and Section 785 policies. However you are expected to know in the examination the 2009 net relevant earnings limit figure (€150,000).
 - A copy of the Inheritance Tax thresholds which apply from 7th April 2009.

The above information will always be supplied at the end of each Examination Paper, regardless of whether or not there are questions in the Paper which require the use of such factors.

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- ◆ Some questions may involve calculations, although these will not be complex. Candidates are permitted to use a silent battery or solar powered non-programmable calculator during the examination and may find it helpful to do so.
- ◆ The best approach in the examination is normally to work methodically through the questions, from the first to the last. However you can attempt the questions in any particular order you want.
- ◆ During the examination, candidates are permitted to write on the inside pages of the examination paper if they find it useful to make notes as each question is attempted. Candidates are not permitted, under any circumstances, to remove any examination paper from the examination room.
- ◆ The **pass mark is 50%**, scored as set out above on page 6.

Pensions Module

Sample Examination Paper 2009|10

 <p>THE INSURANCE INSTITUTE OF IRELAND</p>	 <p>The Institute of Bankers in Ireland</p>	 <p>The professional association for those who give and support financial advice</p>
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- THE EXAMINATION PAPER MUST BE HANDED UP AT THE END OF THE EXAM WITH THE MCQ ANSWER SHEET
1. **1 ½ hours** are allowed for this paper which consists of **80** Multiple Choice Questions.
 2. There is only **one** correct answer to each question.
 3. Read the instructions on the MCQ Answer Sheet carefully.
 - Use the MCQ Answer Sheet provided to record your answers
 - Use the pencil provided to complete the MCQ Answer Sheet
 - Insert your name and membership/examination number at the top of the MCQ Answer Sheet.
 - Each question carries 3 marks for a correct answer, -1 for an incorrect answer and 0 for no answer.
 4. Handle the MCQ Answer Sheet with care and do not write notes or any marks on the face.
 5. Calculators may be used provided they are Silent, non-programmable and incapable of storing text; mobile phones may NOT be used as calculators. Books, papers or other aids may not be in your possession at any time during the exam.
 6. Hand this examination question paper, the MCQ answer sheets, and any additional sheets to the supervisor at the end of the exam.
- Failure to hand in the examination paper and the MCQ Answer Sheet may preclude the correction of the examination.***

Membership/Examination No.

First Name: _____ **Surname:** _____

Company Name: _____

Exam Centre: _____

Signature: _____ **Date :** _____

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ATTEMPT ALL QUESTIONS

1. Which of the following is a third pillar of retirement provision?
- A The State Pension.
 - B Earnings from part time employment.
 - C Private pensions.
 - D Personal savings & investments.

Question type: Knowledge

2. Retirement provision aims to replace which type of income in retirement?
- A Earned.
 - B Investment.
 - C Unearned.
 - D Disability.

Question type: Knowledge

3. The unknown features of a defined benefit occupational pension scheme include the level of:
- (i) employer cost.
 - (ii) employee contribution.
 - (iii) benefits a member will get at retirement.

- A (i) only.
- B (ii) only.
- C (i) and (ii).
- D (i) and (iii).

Question type: Understanding

4. Joe works as a self employed electrician.

His income from this activity is assessed for income tax under which Schedule?

- A Schedule C
- B Schedule D
- C Schedule E
- D Schedule F

Question type: Knowledge

5. Unearned income includes income assessed for Income Tax under the following Schedules:

- (i) D – Case I.
- (ii) E.
- (iii) D – Case IV.
- (iv) F.

- A (i).
- B (iv) only.
- C (ii) and (iii).
- D (iii) and (iv).

Question type: Knowledge

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6. A taxpayer subject to self assessment, who does NOT use the ROS online system, must pay preliminary income tax for a year by which date?

A 31st January.
B 5th April.
C 31st October.
D 31st December.

Question type: Knowledge

7. The Income Tax levy does NOT apply to:

(i) Social Welfare pensions.
(ii) Occupational pension scheme pensions.
(iii) Deposit interest, which has been subject to DIRT.
(iv) Benefits in kind.

A (iii) only.
B (iv) only.
C (i) and (iii) only.
D (i), (ii), (iii) and (iv).

Question type: Knowledge

8. In May 2009, Mary received an inheritance of €50,000 from her aunt (her mother's sister).

In September 2009 her father died and she received an inheritance of €600,000 from him.

She had not received any gift or inheritance from any source prior to 2009.

What Inheritance Tax liability did Mary have on the inheritance received from her father?

A €33,200.
B €41,500.

C €43,200.
D €54,000.

Question type: Application

9. A person is entitled to the State Pension (Transition) if they:

(i) are retired from work.
(ii) are aged 65 or over.
(iii) have paid the necessary type and amount of PRSI contributions.

A (i) only.
B (i) and (iii) only.
C (ii) and (iii) only.
D (i), (ii) and (iii).

Question type: Knowledge

10. Mary's husband died some years ago. She receives the State Widows Contributory Pension.

Her entitlement to this pension will stop immediately if Mary:

(i) earns more than €12,700 pa.
(ii) starts to cohabit with someone else as man and wife.
(iii) goes back to work full time.

A (i) only.
B (ii) only.
C (iii).
D (i) and (ii).

Question type: Understanding

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11. Michael is a proprietary director working in his own company.

What is the EARLIEST age at which Michael can qualify for the State Pension in retirement?

- A** 60.
- B** 65.
- C** 66.
- D** 70.

Question type: Knowledge

12. Entitlement to which of the following State Pensions is subject to a means test?

- A** State Pension (Transition).
- B** State Pension (Contributory).
- C** State Invalidity Pension.
- D** State Pension (Non Contributory).

Question type: Knowledge

13. Susan is married to Tom, who works in the Civil Service. They pay income tax as a married couple.

Susan can contribute to a Personal Pension Plan if:

- (i) the Plan is taken out by Tom.
- (ii) she has her own source of relevant earnings.
- (iii) Tom has a separate source of relevant earnings.

- A** (i) only.
- B** (ii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Understanding

14. John is in pensionable employment and contributes 5% of his €100,000 pensionable earnings in 2009 to his employer's occupational pension scheme.

He also has separate self employed net relevant earnings of €90,000 in 2009. He is aged 48 in 2009.

What is the MAXIMUM Personal Pension Plan contributions he can get tax relief on in 2009, assuming he does not pay any AVCs or contributions to a PRSA in that year?

- A** €10,000
- B** €12,500
- C** €20,000
- D** €37,500

Question type: Application

15. Permanent Health Insurance is called 'Permanent' cover because:

(i) once the life company issue the policy, it can not cancel the cover if premiums due are paid.

(ii) the cover is always available in the marketplace for those who want it.

(iii) the cover provides a benefit payable for life.

- A** (i) only.
- B** (ii) only.
- C** (ii) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Understanding

Pensions
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16. John has a Personal Pension Plan.

He can draw on his Plan now if he:

- (i) is not working.
- (ii) is at least 60 years old.
- (iii) passes a means test.

- A** (i) only.
- B** (ii) only.
- C** (iii).
- D** (i) and (ii).

Question type: Knowledge

17. Tom invested €50,000 in a single premium Personal Pension Plan Managed Fund.

Units were allocated to his Plan at a unit price of €1.50. Within the statutory cooling off period allowed, Tom exercised his right to cancel the Plan.

By that time the Managed Fund's unit price had fallen to €1.40.

What is the MINIMUM refund the life company can now make to John?

- A.** €45,000
- B.** €46,667
- C.** €47,500
- D.** €50,000

Question type: Application

18. Mary is a GP and a member of the General Medical Services (GMS) pension scheme. She can contribute to a Personal Pension Plan if she:

- (i) also has private practice income.
- (ii) does not contribute to the GMS pension scheme.
- (iii) has been a member of the GMS pension scheme for less than five years.

- A.** (i) only.
- B.** (ii) only.
- C.** (iii).
- D.** (i) and (ii).

Question type: Understanding

19. John is drawing on his Personal Pension Plan. The Plan has an accumulated value of €250,000.

Assuming he is not currently receiving any pension income, and has not previously invested in an Approved Minimum Retirement Fund (AMRF) or annuity, what MAXIMUM amount can John transfer to an Approved Retirement Fund (ARF) from this Plan?

- A.** €62,500
- B.** €63,500
- C.** €124,000
- D.** €187,500

Question type: Application

20. Sharon wants to pay a large Personal Pension Plan contribution in 2009, and backdate it for tax relief purposes.

What is the EARLIEST year to which she can backdate this contribution?

- A.** 2005
- B.** 2006
- C.** 2007
- D.** 2008

Question type: Application

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21. A trust RAC can be established by a(n):

- A group of self employed or employed individuals, who all work in the same industry.
- B body representing the majority of individuals involved in a particular profession in the State.
- C life company established in the State or operating in the State as a branch.
- D employer carrying on a trade in the State.

Question type: Knowledge

22. A charge made to a non Standard PRSA can be expressed as a:

- (i) % of contributions paid.
- (ii) % of the PRSA fund value.
- (iii) flat monetary amount.

- A (i) only.
- B (ii) only.
- C (i) and (ii).
- D (i) and (iii).

Question type: Knowledge

23. Maria is in non pensionable employment. She is aged 48.

A Personal Retirement Savings Account (PRSA) is likely to be more suitable for her than a Personal Pension Plan because with a PRSA she can:

- A get more tax relief.
- B take early retirement benefits from 50 onwards.
- C take more of her retirement fund as a tax free lump sum.
- D add on additional life cover.

Question type: Understanding

24. A Preliminary Disclosure Certificate provided by a Personal Retirement Savings Account (PRSA) provider to Sean, who is taking out a Non Standard PRSA, MUST include:

- (i) a projection of the retirement benefits the PRSA might provide for Sean.
- (ii) sales remuneration payable by the PRSA provider to the intermediary or financial institution selling the PRSA to Sean.
- (iii) information on the cooling off period during which Sean can cancel the PRSA.

- A (i) only.
- B (iii) only.
- C (i) and (ii) only.
- D (i), (ii) and (iii).

Question type: Knowledge

25. Paul is a self employed dentist and has net relevant earnings in 2009 of €175,000.

He is aged 52 in 2009.

He has already contributed a once off €25,000 contribution to a Personal Pension Plan in 2009.

Assuming he makes no other pension contribution in 2009, what is the MAXIMUM level of Personal Retirement Savings Account (PRSA) he can make in 2009 and also get tax relief on in 2009?

- A €20,000
- B €27,500
- C €45,000
- D €52,500

Question type: Application

Pensions
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- 26.** A company located in the State has established an occupational pension scheme which is authorised by the Pensions Board to include its UK employees, as well as the company's Irish employees.

What type of scheme is this known as?

- A** Overseas.
- B** Cross border.
- C** Statutory.
- D** Segregated.

Question type: Knowledge

- 27.** Revenue approval of an occupational pension scheme requires:

(i) the scheme to cover all of the employer's employees.

(ii) each employee to be provided with exactly the same retirement benefits.

(iii) the employer to pay a meaningful contribution to the scheme.

- A** (i) only.
- B** (ii).
- C** (iii) only.
- D** (i) and (iii).

Question type: Knowledge

- 28.** The level of retirement benefits provided at retirement to a member of a defined benefit occupational pension scheme will be determined by:

(i) the level of the member's final remuneration.

(ii) the period of service completed by the member.

(iii) the level of contributions paid into the scheme by and on behalf of the member.

- A** (i) only.
- B** (iii) only.

C (i) and (ii) only.

D (i), (ii) and (iii).

Question type: Understanding

- 29.** Joe has eight years completed service with his employer by his Normal Retirement Age (NRA).

He has a retained pension of €2,000 pa from a former employer's occupational pension scheme.

His final remuneration is €27,000 per annum.

What is the MAXIMUM approvable annual pension his current employer's pension scheme can provide for him now at NRA??

- A** €12,600
- B** €14,400
- C** €16,000
- D** €18,000

Question type: Application

- 30.** Mary is taking voluntary early retirement at age 58, after 25 years service with her employer.

Her Normal Retirement Age (NRA) under her employer's occupational pension scheme is 60, and her final remuneration is €60,000 per annum.

She has no retained benefits.

What is the MAXIMUM approvable lump sum retirement benefit her current employer's pension scheme can provide for her on voluntary early retirement?

- A** €25,000
- B** €56,250
- C** €83,333
- D** €90,000

Question type: Application

Pensions

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- 31.** Susan is taking ill health early retirement at age 55, after 15 years service with her employer.

Her Normal Retirement Age (NRA) under her employer's occupational pension scheme is 60, and her current final remuneration is €33,000 per annum.

She has a retained pension under a former employer's occupational pension scheme of €4,000 per annum.

What is the MAXIMUM Revenue approvable pension Susan's employer's scheme can provide for her now on ill health early retirement?

- A** €12,500
- B** €16,500
- C** €18,000
- D** €22,000

Question type: Application

- 32.** Occupational pension schemes are required to be established under an irrevocable trust in order to:

(i) protect the scheme member's benefits from the employer's creditors.

(ii) ensure that the employer can't act as trustee of their own scheme.

(iii) make it possible for the Pensions Board to regulate the scheme.

- A** (i).
- B** (ii) only.
- C** (iii) only.
- D** (ii) and (iii).

Question type: Understanding

- 33.** Some employers establish hybrid occupational pension schemes in order to:

(i) limit their financial commitment to the scheme.

(ii) be able to provide benefits in excess of Revenue limits.

(iii) be able to provide both death in service and retirement benefits in the one scheme.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Understanding

- 34.** The factors which determine the MAXIMUM approvable retirement benefits which can be provided by an approved occupational pension scheme for a member on normal retirement include the member's:

(i) period of service completed with the employer by that date.

(ii) retained benefits.

(iii) contributions to the scheme.

- A** (i) only.
- B** (i) and (ii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Understanding

Pensions

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- 35.** The CORE administration functions of a Registered Administrator of an occupational pension scheme include:
- (i) deduction of tax from benefit payments.
 - (ii) preparation of the scheme annual report.
 - (iii) registration of the scheme with the Pensions Board
- A** (ii) only.
- B** (i) and (ii) only.
- C** (i) and (iii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

- 36.** Joe is a working director of ACE Pumps Ltd. and is included in their occupational pension scheme.
- What MINIMUM % of the voting rights of ACE must Joe be able to control in the period before his retirement, in order to be entitled to transfer, at retirement, part of the value of his scheme retirement benefits to an Approved Retirement Fund (ARF) in his name?
- A** 5%
- B** More than 5%
- C** 20%
- D** More than 20%

Question type: Knowledge

- 37.** Mary is taking voluntary early retirement at age 55, after 22 years service with her employer.
- Her Normal Retirement Age (NRA) under her employer's occupational pension scheme is 60, and her final remuneration is €60,000 per annum.
- Mary has a retained pension of €2,500 per annum with a former employer's occupational pension scheme.
- What is the MAXIMUM approvable immediate annual pension her current employer's pension scheme can provide for her on voluntary early retirement??

- A** €30,556.
- B** €37,500.
- C** €40,000.
- D** €49,500.

Question type: Application

- 38.** Keith is a member of his employer's occupational pension scheme.
- He received salary over the last 12 months of €38,000. His current annual rate of salary is €40,000.
- The current accumulated value of contributions paid by Keith to the scheme is €3,400.
- What is the MAXIMUM Revenue approvable lump sum which his employer's scheme could pay as a lump sum death in service benefit, if Keith died today?

- A** €152,000.
- B** €160,000.
- C** €163,400.
- D** €165,600.

Question type: Application

Pensions

Sample Examination Paper 2009|10

- 39.** An employer might adopt integration when designing the benefit structure of a defined benefit occupational pension scheme in order to:

- A** reduce the cost of the scheme.
- B** obtain Revenue approval.
- C** comply with the Pensions Act.
- D** provide enhanced benefits.

Question type: Understanding

- 40.** Mary joined her employer's occupational pension scheme for death in service benefits on the 1st January 2007 and for retirement benefits on the 1st July 2007.

Assuming Mary stays with her current employer, after what date will she first qualify for a statutory preserved benefit under her employer's occupational pension scheme on leaving service?

- A** 1st July 2008
- B** 1st January 2009
- C** 1st July 2009
- D** 1st January 2010

Question type: Application

- 41.** ACE Services Ltd. is currently paying an ordinary annual contribution of €120,000 to their occupational pension scheme.

ACE now proposes to make a special lump sum contribution of €200,000 to the scheme.

How much of the special contribution will qualify for tax relief in the company's accounting period in which the special contribution is paid?

- A** €40,000
- B** €60,000
- C** €100,000
- D** €120,000

Question type: Application

- 42.** Mark is a member of his employer's defined contribution occupational pension scheme.

His calculation of final remuneration for the purposes of calculating the maximum approvable retirement benefits the scheme can provide for him, can include:

- (i) overtime payments.
- (ii) sales bonuses.
- (iii) benefits in kind.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

- 43.** George is aged 45, married, and a proprietary member of his employer's defined contribution Small Self Administered Pension Scheme. He has five years completed service.

His Normal Retirement Age is 60. His current final remuneration is €150,000 per annum, and the current value of his Scheme fund is €450,000.

He has retained retirement benefits valued at €100,000.

What is the current MAXIMUM ordinary annual contribution which can be paid into the Scheme in respect of George?

- A** €179,333
- B** €186,000
- C** €209,333
- D** €216,000

Question type: Application

Pensions

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44. Who of the following can make Additional Voluntary Contributions (AVCs)?

(i) Matthew who is a part time employee member of his employer's occupational pension scheme for death in service benefits only.

(ii) Mark who is a part time employee member of his employer's occupational pension scheme for retirement benefits.

(iii) Luke who is a full time employee member of his employer's occupational pension scheme for death in service benefits only.

(iv) John who is a full employee member of his employer's occupational pension scheme for retirement benefits.

A (iv) only.

B (ii) and (iv) only.

C (iii) and (iv) only

D (i), (ii), (iii) and (iv).

Question type: Understanding

45. Additional Voluntary Contributions (AVCs) can provide:

(i) retirement benefits.

(ii) death in service benefits.

(iii) Permanent Health Insurance (PHI) benefits.

A (i) only.

B (ii) only.

C (i) and (ii) only.

D (i), (ii) and (iii).

Question type: Knowledge

46. Additional Voluntary Contributions (AVCs) can be paid to a(n):

(i) occupational pension scheme.

(ii) Personal Retirement Savings Account (PRSA).

(iii) Personal Pension Plan.

A (i) only.

B (ii) only.

C (i) and (ii) only.

D (i), (ii) and (iii).

Question type: Knowledge

47. It is a Revenue requirement that a defined contribution Small Self Administered Pension Scheme must at all times have a Revenue approved:

A complaints manager.

B trustee.

C auditor.

D actuary.

Question type: Knowledge

48. A self administered occupational pension scheme is regarded by the Revenue Commissioners as a Small Self Administered Pension Scheme (SSAPS) if the scheme:

A has assets valued at less than €1m.

B is administered by a professional administrator.

C allows direct investment in stocks and shares.

D only provides benefits for 20% directors of the employer.

Question type: Knowledge

Pensions
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- 49.** Joe is retiring and he has a €200,000 retirement fund which must be used to buy an annuity.

Which of the following types of annuity will provide Joe with the HIGHEST initial level of pension income?

- A** An escalating single life.
- B** A level joint life.
- C** An increasing joint life.
- D** A level single life.

Question type: Understanding

- 50.** An annuity purchased by an employer for a retiring employee at the point of retirement is known as what type of annuity?

- A** Purchased life.
- B** Exempt approved.
- C** Open market.
- D** Hancock.

Question type: Knowledge

- 51.** The level of annuity rates ruling at any particular time are directly influenced by:

- (i) deposit rates.
- (ii) medium to long term Bond yields.
- (iii) mortgage interest rates.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Understanding

- 52.** If the annuity rate for the type of annuity Tom wants to buy is 8.00%, what capital sum does Tom need to secure an annuity of €10,000 per annum?

- A** €80,000
- B** €100,000
- C** €125,000
- D** €200,000

Question type: Application

- 53.** Joan has an Approved Retirement Fund (ARF).

The imputed distribution made in 2010 will be based on the value of her ARF at:

- A** 31st December 2009
- B** 31st March 2010
- C** 31st October 2010
- D** 31st January 2011

Question type: Application

Pensions
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54. Imputed distributions do NOT apply to Approved Retirement Funds (ARFs) when the:

- (i) ARF holder is under age 60
- (ii) ARF holder is over age 75
- (iii) value of the ARF falls below €63,500

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

55. Mary dies and leaves the balance in her Approved Retirement Fund (ARF) to her daughter, Cathy, who is then aged 23.

This benefit for Cathy is:

- (i) subject to Capital Gains Tax @ 25%.
- (ii) subject to Income Tax @ standard rate.
- (iii) exempt from Inheritance Tax.

- A** (i) only.
- B** (ii) only.
- C** (ii) and (iii).
- D** (i) and (iii).

Question type: Understanding

56. An Approved Minimum Retirement Fund (AMRF) is AUTOMATICALLY converted into an Approved Retirement Fund (ARF):

- (i) on death.
- (ii) when the AMRF holder reaches age 75.
- (iii) when the AMRF first reaches a value of €63,500.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

57. The advantages for Aoife of transferring retirement funds to an Approved Retirement Fund (ARF) as opposed to using the same funds to buy an annuity for herself include:

- (i) preservation of capital for dependants.
- (ii) the option to defer annuity purchase to a later date.
- (iii) guaranteed income for life.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii).
- D** (i) and (iii).

Question type: Understanding

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- 58.** Mark took a tax free lump sum of €550,000 in 2008 from a Personal Pension Plan.

In 2009 he took a lump sum of €800,000 from an Executive Pension Plan.

What part, if any, of the lump sum taken by Mark in 2009 would be taxable in his hands?

- A** Nil
- B** €4,521
- C** €22,429
- D** €34,571

Question type: Application

- 59.** James had undrawn retirement benefits valued at €5.5m as at 7th December 2005.

He took retirement benefits valued at €3.0m from an Executive Pension Plan in 2007. He had not previously received any benefits from any other retirement arrangement.

In 2009 he took retirement benefits valued at €3.5m from a Small Self Administered Pension Scheme (SSAPS).

What chargeable excess, if any, will arise for James in 2009 when taking benefits from the SSAPS?

- A** Nil.
- B** €687,107
- C** €1,000,000
- D** €1,228,915

Question type: Application

- 60.** Defined benefit pensions are valued for the purposes of calculating whether a chargeable excess arises on the taking of retirement benefits, as:

- A** a fixed multiple of 20 times the pension, regardless of the type of pension payable or the sex of the retiring member
- B** a multiple published by the Revenue Commissioners, which varies by the type of pension payable and the sex of the retiring member.
- C** a fixed multiple of 25 times the pension, regardless of the type of pension payable or the sex of the retiring member
- D** the annuity purchase price for the type of the type of pension payable and the sex of the retiring member, based on current open market annuity rates.

Question type: Knowledge

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- 61.** Collective investment funds offer the investor:
- (i) greater diversification.
 - (ii) a segregated investment portfolio.
 - (iii) lower dealing costs.
- A** (i) only.
B (iii) only.
C (i) and (ii).
D (i) and (iii).

Question type: Understanding

- 62.** Exempt unit trusts are open for investment to:
- (i) trustees of approved occupational pension schemes.
 - (ii) registered charities.
 - (iii) personal investors.
- A** (i) only.
B (ii) only.
C (i) and (ii).
D (i) and (iii).

Question type: Knowledge

- 63.** An investment fund whose objective is to earn an investment return in line with the market average is said to adopt which of the following investment management styles?
- A** passive.
B active.
C consensus.
D objective.

Question type: Understanding

- 64.** The trustees of a defined benefit occupational pension scheme can avoid mismatching their assets and liabilities by:
- (i) purchasing annuities for retiring members.
 - (ii) insuring their death in service benefits.
 - (iii) purchasing deferred annuities for members who leave service.
- A** (i) only.
B (ii) only.
C (i) and (iii) only.
D (i), (ii) and (iii).

Question type: Understanding

- 65.** For the purposes of the statutory investment restrictions on occupational pension schemes, the following are connected with a scheme member:
- (i) the member's spouse.
 - (ii) a brother of the member.
 - (iii) a sister in law of the member.
- A** (i) only.
B (i) and (ii) only.
C (ii) and (iii) only.
D (i), (ii) and (iii).

Question type: Knowledge

Pensions

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66. The trustees of which of the following occupational pension schemes can borrow to invest in property?

(i) Large defined benefit scheme, with 100 or more members.

(ii) One member Small Self Administered Pension Scheme.

(iii) Defined contribution scheme with two or more members.

A (i) only.

B (ii) only.

C (ii) and (iii) only.

D (i), (ii) and (iii).

Question type: Knowledge

67. A Statement of Investment Policy Principles must be prepared by the trustees of:

(i) large (more than 100 members) occupational pension schemes.

(ii) large (more than 100 members) trust RACs.

(iii) one member arrangements.

A (i) only.

B (ii) only.

C (i) and (ii).

D (i) and (iii).

Question type: Knowledge

68. In relation to statutory investment restrictions on certain occupational pension schemes, a regulated market investment includes:

(i) stocks and shares listed on the Irish Stock Exchange.

(ii) shares in a private unlisted company.

(iii) a unit trust investing in bonds listed on the London Stock Exchange.

A (i) only.

B (ii) only.

C (i) and (iii) only.

D (i), (ii) and (iii).

Question type: Knowledge

69. The trustees of an occupational pension scheme, which is not a one member arrangement, can invest in derivatives in order to:

(i) increase investment returns.

(ii) reduce investment risk.

(iii) efficiently manage the scheme's assets.

A (i).

B (ii) only.

C (iii) only.

D (ii) and (iii).

Question type: Understanding

Pensions

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70. In order to benefit from a statutory exemption from liability for the investment performance of funds chosen by members of defined contribution occupational pension schemes, the trustees MUST:

- (i) offer a choice of more than one fund to members.
- (ii) provide a default fund, where the member does not make a fund choice.
- (iii) provide information to members, where requested, on the funds available for investment.

- A.** (i) only.
- B.** (ii) only.
- C.** (ii) and (iii) only.
- D.** (i), (ii) and (iii).

Question type: Knowledge

71. A Pension Adjustment Order can NOT be applied to a:

- A** Permanent Health Insurance (PHI) policy.
- B** Personal Pension Plan.
- C** Section 785 life assurance policy.
- D** Personal Retirement Savings Account (PRSA).

Question type: Knowledge

72. Mary obtained a Decree of Divorce on the 1st February 2009.

If Mary wishes to get a Pension Adjustment Order over her ex-husband's contingent benefits, by what LATEST date must she obtain this Order?

- A** 1st February 2010
- B** 1st February 2011
- C** 1st January 2012
- D** 1st March 2013

Question type: Application

73. Mary has obtained a Pension Adjustment Order over her former husband Tom's contingent benefits.

Mary's Order AUTOMATICALLY ceases:

- A** on Mary's death or remarriage.
- B** on Tom's death or remarriage.
- C** if Mary starts to cohabit with someone else as man and wife.
- D** on Mary's retirement.

Question type: Knowledge

74. A member of a defined contribution occupational pension scheme must be provided with a Statement of Reasonable Projection (SORP):

- (i) at least once in every scheme year.
- (ii) within 2 months of joining the scheme.
- (iii) within 2 months of leaving the scheme.

- A** (i) only.
- B** (ii) only.
- C** (i) and (ii).
- D** (i) and (iii).

Question type: Knowledge

Pensions
Sample Examination Paper 2009|10

75. The Pensions Ombudsman can investigate and adjudicate on certain complaints in relation to:

- (i) Personal Pension Plans.
- (ii) Approved Retirement Funds (ARFs).
- (iii) Personal Retirement Savings Accounts (PRSAs).

- A** (i) only.
- B** (iii) only.
- C** (i) and (ii).
- D** (ii) and (iii).

Question type: Knowledge

76. The Annual Report of an occupational pension scheme must include a copy of the scheme's:

- (i) audited accounts.
- (ii) valuation report.
- (iii) investment report.

- A** (ii) only.
- B** (iii) only.
- C** (i) and (ii) only.
- D** (i), (ii) and (iii).

Question type: Knowledge

77. In order to obtain all the tax advantages applicable to an exempt approved retirement benefit scheme, an occupational pension scheme must be approved by the:

- (i) Pensions Board.
- (ii) Revenue Commissioners.
- (iii) Financial Regulator.

- A** (i) only.
- B** (ii) only.
- C** (iii).
- D** (i) and (ii).

Question type: Knowledge

Pensions

Sample Examination Paper 2009|10

78. Which of the following **MUST** produce annual audited accounts?

(i) One member defined contribution occupational pension scheme, which provides retirement benefits.

(ii) Defined benefit occupational pension schemes with 57 members with an entitlement to a retirement benefit.

(iii) Defined contribution occupational pension scheme with 120 members, of which 105 have an entitlement to a retirement benefit.

(iv) Group PRSA scheme with 55 members.

A (ii) only.

B (iii) only.

C (ii) and (iv) only.

D (i), (ii), (iii) and (iv).

Question type: Knowledge

79. The **MAXIMUM** annual amount which can be allocated to purchase shares for an employee under an Approved Profit Sharing Scheme is:

A €5,000

B €7,500

C €10,000

D €12,700

Question type: Knowledge

80. A company offers its employees a Save As You Earn (SAYE) scheme.

If the company's share price today is €2.00, what is the **MINIMUM** share price at which it can grant share options to employees today under the SAYE scheme?

A €0.90

B €1.10

C €1.30

D €1.50

Question type: Application

Pensions

Sample Examination Paper 2009|10

REVENUE UPLIFTED SCALES

Pension

Years of service completed with employer by NRA	Maximum pension @ NRA as a fraction of final remuneration
1	1/10 th x 2/3rds
2	2/10 th x 2/3rds
3	3/10 th x 2/3rds
4	4/10 th x 2/3rds
5	5/10 th x 2/3rds
6	6/10 th x 2/3rds
7	7/10 th x 2/3rds
8	8/10 th x 2/3rds
9	9/10 th x 2/3rds

THRESHOLD INDEXATION FACTORS

2007: **1.033**
 2008: **1.049**
 2009: **1.000**

REVENUE BENEFIT CAPITALISATION FACTORS

NRA	Female	Female	Male	Male
	<i>no dependant</i>	<i>with dependant</i>	<i>no dependant</i>	<i>with dependant</i>
60	27.5	30.0	24.4	32.4
65	23.8	25.9	20.4	28.4
70	20.2	21.8	16.7	24.4

Lump Sum

Years of service completed with employer by NRA	Maximum lump sum @ NRA as a fraction of final remuneration
1-8	3/80 th for each year of service
9	30/80ths
10	36/80ths
11	42/80ths
12	48/80ths
13	54/80ths
14	63/80ths
15	72/80ths
16	81/80ths
17	90/80ths
18	99/80ths
19	108/80ths

Annual tax relief limit on personal contributions to all pension arrangements in 2009

Age attained during 2009	Tax relief limit (as % of net relevant earnings) in 2009
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%*
55 to 59	35%
60 and over	40%

** the 30% limit also applies to certain professional sportspeople under age 50 in 2009, in relation to their income from their professional sports occupation.*

INHERITANCE TAX THRESHOLDS 2009

Class	Threshold
1	€434,000
2	€43,400
3	€21,700

Pensions Sample Examination Paper 2009|10 - Answers

Question No	Answer
1.	D
2.	A
3.	A
4.	B
5.	D
6.	C
7.	C
8.	B
9.	D
10.	B
11.	C
12.	D
13.	B
14.	B
15.	A
16.	B
17.	B
18.	A
19.	C
20.	D
21.	B
22.	C
23.	B
24.	D
25.	A
26.	B
27.	C
28.	C
29.	B
30.	C
31.	C
32.	A
33.	A
34.	B

Question No	Answer
35.	A
36.	B
37.	A
38.	C
39.	A
40.	C
41.	D
42.	D
43.	A
44.	D
45.	C
46.	C
47.	B
48.	D
49.	D
50.	D
51.	B
52.	C
53.	A
54.	A
55.	C
56.	C
57.	C
58.	A
59.	B
60.	A
61.	D
62.	C
63.	A
64.	D
65.	D
66.	B
67.	C
68.	C

Pensions Sample Examination Paper 2009|10 - Answers

Question No	Answer
69.	D
70.	D
71.	A
72.	A
73.	A
74.	C
75.	B
76.	D
77.	B
78.	B
79.	D
80.	D