

**Subject SA4
Pensions and Other Benefits
Specialist Applications**

Syllabus

for the 2009 Examinations

1 June 2008

**The Faculty of Actuaries and
Institute of Actuaries**

Subject SA4 — Pensions and Other Benefits Specialist Applications Syllabus

Aim

The aim of the Pensions and other Benefits Specialist Applications subject is to instil in successful candidates the ability to apply knowledge of the United Kingdom pensions and employee benefit environment and the principles of actuarial practice to providers of pensions and employee benefits in the United Kingdom.

Links to other subjects

Subject ST4 — Pensions and other Benefits Specialist Technical: provides the underlying principles upon which this subject is based. It is assumed that candidates have a good understanding of the principles covered in subject ST4 — Pensions and other Benefits Specialist Technical.

Candidates can expect to be examined in aspects of general principles developed in Subject ST4 — Pensions and other Benefits Specialist Technical as well as the United Kingdom specific aspects developed in this subject.

Subject P4 — Pensions UK Practice Module Specialist: the knowledge required to pass Subject P4 is contained in this subject.

Objectives

On completion of this subject the candidate actuary will be able to:

- (a) Define the principal terms used in pensions in the United Kingdom.
- (b) Describe the roles of each of the following parties who may be involved in the provision of pensions in the United Kingdom:
 - the State
 - employers or groups of employers
 - individuals or groups of individuals
 - trustees
 - actuaries
 - other advisers
- (c) Describe how the legal framework for pensions that applies in the United Kingdom, attempts to:
 - encourage appropriate non-State provision
 - ensure security for non-State provision
 - ensure adequacy of non-State provision

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- (d) Discuss the implications, for the parties in (b), of the environment in which United Kingdom benefits are provided in terms of the effect of:
- different presentation and reporting of benefits and contributions
 - accounting standards
 - the professional guidance for actuaries contained in Guidance Notes: 3, 4, 9, 11, 13, 16, 19, 24, 26, 28, 29, 34, 36, 48, 49 and 51.
- and describe the subject matter of Guidance Notes: 9, 11, 16, 19, 26, 28, 29 and 36.
- (e) Describe the ways in which providers in the United Kingdom may be able to finance the benefits to be provided in terms of:
- the alternatives that exist relating to the timing of contributions relative to benefit payments
 - the forms and characteristics of investment that are available if contributions are made before benefits are due for payment
- (f) Discuss the factors to consider in determining a suitable design, in terms of benefits and contributions in the United Kingdom, in relation to:
- the level and form of benefits to be provided
 - the method of financing the benefits to be provided
 - the choice of assets when benefits are to be funded
- (g) Discuss the issues surrounding sponsor covenant in the United Kingdom in terms of:
- what is meant by sponsor covenant
 - how to measure the willingness of the sponsor to contribute
 - how to measure the ability of the sponsor to contribute
 - when the other parties involved should consider the sponsor covenant
- (h) Describe the risks and uncertainties affecting:
- the level and incidence of benefits
 - the level and incidence of contributions
 - the level and incidence of return on assets when benefits are funded
 - the overall security of benefits

in the United Kingdom.

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- (i) Describe the problems that arise in relation to the transfer of pension rights in the event of a company purchase or merger, including matters relating to:
- the different interests and responsibilities of the parties involved
 - the terms that might be set out in the Pensions Clause of a Sale and Purchase agreement
- (j) Determine an appropriate basis for the valuation of a United Kingdom defined benefit scheme.
- (k) Discuss the principles behind the determination of discontinuance terms in respect of benefits from a United Kingdom occupational pension scheme, in relation to how the following may be taken into consideration when determining discontinuance terms:
- rights of beneficiaries
 - other benefit expectations
 - the availability and selection of a method of provision of discontinuance benefits
 - the level of available assets
- (l) Discuss how to determine values for assets, future benefits and future contributions in a United Kingdom environment, in terms of:
- the data requirements
 - the need for placing values on assets, future benefits and contributions and the extent to which values should reflect risk management strategy
 - the reasons why the assumptions used may differ in different circumstances
 - the reasons why the assumptions and methods used to place a value on guarantees and options may differ from those used for calculating the reserves needed
 - how sensitivity analysis can be used to check the appropriateness of the values
- and be able to perform calculations to demonstrate an understanding of the valuation methods.
- (m) Analyse the asset-liability matching requirements of a United Kingdom provider of pensions and related benefits in relation to:
- the trade-off between risk and reward
 - an awareness of adding value to the shareholders of the business
- and describe how projection models may be used to develop appropriate strategies.

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- (n) Discuss the principles underlying the use of re-insurance, and the choice of re-insurance contract, as a means of reducing some of the risks and uncertainties associated with the provision of pensions in the United Kingdom.
- (o) Identify the sources of surplus/deficit for a benefit provider in the United Kingdom and discuss the factors that affect the application of this surplus/deficit.
- (p) Describe how the financial significance of deviations from expectations, should be monitored and assessed, in terms of:
- the reasons for monitoring
 - the data required
 - the process of analysis of the various factors affecting the experience
 - the use of the results of to help develop solutions to the problems faced in pension provision
- (q) Solve complex problems associated with:
- pension scheme design
 - setting funding rates
 - monitoring asset adequacy
 - investment policy
 - protecting members' rights

and, through integrating and critically evaluating the results, draw conclusions therefrom, in particular in relation to:

- the risks undertaken
- the level of funding
- ownership of surplus and handling deficiencies
- future contributions
- mergers and takeovers
- winding up a scheme
- sponsor covenant

End of Syllabus