

INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

Subject CA3 - Communications (Presentation)

Scenario: Annuity purchase at retirement

Introduction

The Examiners' Report is written by the Principal Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The Examiners are charged by Council with examining the published syllabus.

For the CA3 communications examination the examination is designed to examine the communication of an "actuarial" concept to a non actuarial audience. Sufficient technical detail on the scenario is provided in the question so that candidates from all backgrounds are able to answer the question.

One approach to the slides required for the presentation is reproduced in this report; other valid approaches were given appropriate credit.

Fiona Layton
Chairman of the Board of Examiners

March 2016

A possible set of slides to accompany a candidate's presentation is given below. This is not intended to be a model set of slides. In practice, a wide number of sets of slides were acceptable and candidates would have achieved good pass standards without having the same level of detail as the slides below.

Candidates were asked to give a presentation to the Trustees of the ABC Defined Contribution Pension Plan on annuity purchase at retirement.

Candidates were given clear instructions from their manager on what the presentation should include:

- ... "respond to each of the statements that have been raised by Brian and the comment on the Plan booklet from Tim".

In addition candidates were given further instructions from their manager on what to include in their presentation together with the relevant details.

The main points that the Examiners were looking for and some common problems encountered were as follows:

1. Candidates were asked to deliver a presentation lasting 8-10 minutes. Most presentations were delivered within the guidelines and gained full marks for the time element. Presentations that were much longer than 10 minutes tended to be long, repetitive and to include irrelevant information. Presentations that were very short (less than 7 minutes) were typically rushed or did not clearly cover all the content requested.
2. The audience for this presentation was the Trustees of the ABC Defined Contribution Pension Plan. Better candidates provided a response that directly addressed the statements and comment made by the Trustees. Weaker candidates delivered a presentation that could have been delivered on this general topic to any set of trustees.
3. Most presentations had an appropriate first slide with a clear title, date and name of presenter.
4. Most presentations had an agenda. On better presentations, the agenda linked directly to the titles and content of the following slides. On weaker presentations, too much time was spent on the agenda giving rise to a laboured start, which tended to disengage the audience.
5. There was a great variation in the quality of the format of slides. There were examples both of slides with only a few bullet points, and slides with too much information. Good presentations had slides that clearly backed up the information that was being provided to the audience.
6. Some candidates put full-length narrative sentences on the slides. This was not appropriate to the slide format and tended to make slides over-busy. This also distracted the audience from listening to the presenter.

7. Some candidates included statistics that were unnecessarily accurate. Eg Life expectancy is 19.0874 years.
8. Where presentations included a table of figures rather than a graph, marks were gained for how clearly the table brought out the messages.
9. Better candidates completed their presentation with a brief summary of the key messages and provided the opportunity to ask questions.

Candidates were not asked to provide a script to accompany the presentation

SOLUTION

Slide 1

**Annuity purchase at retirement –
a good option?**

Presentation to the Trustees
ABC DC Plan

Name
Actuary
XYZ Consulting Services Limited
1 August 2014

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Slide 2

Agenda

- Background – Statements made
- Analysis of statements
- Other considerations
- Summary
- Questions

2

Slide 3

Background- statements made

All based on male at age 65

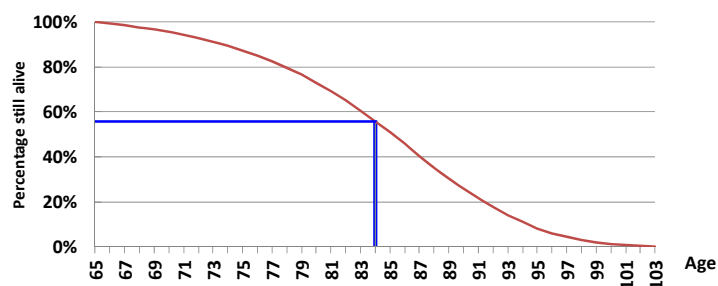
1. General life expectancy is 19 years
2. Fund of £100,000 will buy annual annuity of £6,000
3. Can do better just withdrawing money from fund
4. Annuities poor choice for our members

- Are these statements correct?
- If yes, do we need to update Plan Booklet?

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Slide 4

1. Life expectancy is 19 years? ✓



For males age 65 now,

-Average life expectancy is 19 years (ie age 84)

-BUT

- Expect 56 out of 100 men retiring at 65 to still be alive at 84
- Quarter are still alive at age 90

Single statistic can be misleading

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Slide 5

2. Fund of £100,000 will buy annuity of £6,000? ✓

- Annual level payment to the member only at 65
- Other choices of annuity available
- Someone in poor health may get larger annuity

Older people – annuity will be larger
Younger people – annuity will be smaller

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Slide 6

3. Can do better just withdrawing money from Fund?

Initial fund is £100,000

End of Year 1, fund remaining = $100,000 - 6,000 = £94,000$

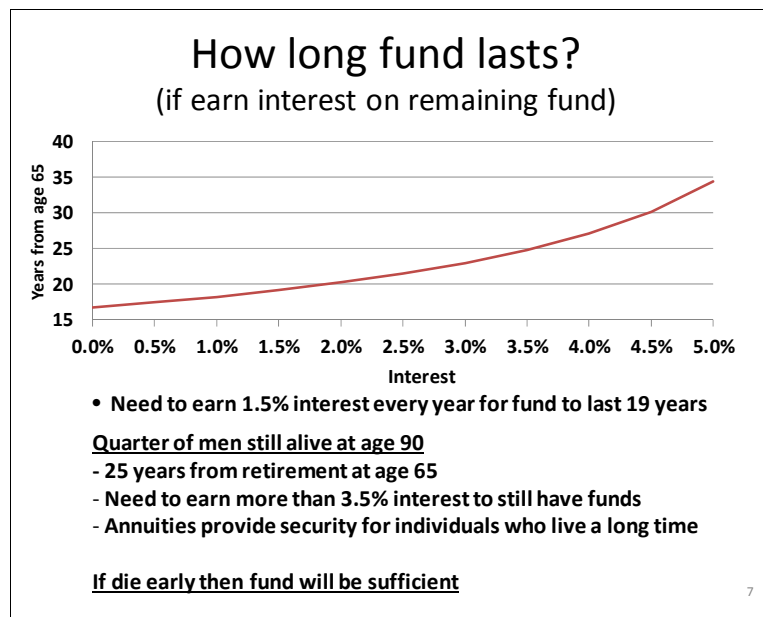
By end of Year 16 only have £4,000 left in fund

Year	Income taken (£)	Fund remaining end of year (£)
1	6,000	94,000
2	6,000	88,000
3	6,000	82,000
:	:	:
16	6,000	4,000
17	4,000	0

But may be able to earn interest on funds remaining...

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Slide 7



Slide 8

Other considerations

Are individuals happy with:
uncertainty / risk funds may be insufficient?

Choices of annuity available

- Guarantees?
- Annuity for dependant?

Individuals need to make decisions

- Appropriate to take financial advice
(ABC DC Plan Booklet reflects this)

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Slide 9

Summary

	4 Statements made	
1	Life expectancy is 19 years?	True
2	£100,000 fund buys annuity of £6,000?	True
3	Better just withdrawing money from Fund?	?
4	Annuities are poor choice for our members?	?

- Individuals in good health can live a long time
- Annuities provide certainty, choice available
- Booklet reflects current position accurately but good idea to review

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Slide 10

Questions?

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END OF EXAMINERS' REPORT