INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

April 2011 examinations

Subject SA4 — Pensions and other Benefits Specialist Applications

Introduction

The attached subject report has been written by the Principal Examiner with the aim of helping candidates. The questions and comments are based around Core Reading as the interpretation of the syllabus to which the examiners are working. They have however given credit for any alternative approach or interpretation which they consider to be reasonable.

T J Birse
Chairman of the Board of Examiners

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General comments

The overall standard of scripts was consistent with previous sittings. Stronger candidates typically ensured their answers covered a breadth of issues relevant to the question rather than focusing narrowly on one aspect at great depth. Candidates that struggled often made several minor variations on the same point, made points based on recall of core reading without relating those points to the specific instruction in the question, or failed to structure their answers, even when offered clear hints on how they might do so within the question.

When reviewing the model solutions below, candidates should note that there are typically more points on the schedule than were necessary to score full marks for the relevant section, and that the passing standard would require even fewer. Not even the best prepared candidate is expected to be able to write down all the points below in the time available. Most bullet points listed below would score 0.5%, and examiners were also instructed to give credit for relevant points not on the schedule that demonstrated understanding of the relevant material.

1 (i) The applicable TASs are:

- TAS R (Reporting)
  - Applies to reporting of actuarial information
  - Purpose is to enable users to judge relevance and implications of advice
  - Information presented in a clear and comprehensible manner
  - Emphasis is on information communicated before decisions are made

- TAS D (Data)
  - Applies to all data used in actuarial work
  - Purpose is to ensure data is sufficiently scrutinised and checked
  - To ensure users can rely on resulting actuarial information
  - With clear explanation of how inaccurate or missing data has been managed

- TAS M (Modelling)
  - Purpose is to ensure that models sufficiently represent issues on which decisions will be based
  - And that they are fit for purpose, theoretically and practically
  - Also models must be properly documented
  - Limitations and their implications must be reported

NB Given the challenge even the most experienced actuaries are experiencing in interpreting the TASs, any of the three answers below, or sensible combination thereof, were treated as correct by the examiners.

- All three generic TASs apply
- to work commonly or exclusively performed by actuaries ("Reserved Work") of which the valuation is an example
- Futhermore, the valuation does depend on Data (membership, benefits, assets etc), and involves both Modelling (of liabilities) and Reporting to the Trustees

- Only TASs R&D apply to this report
- The valuation does depend on Data (membership, benefits, assets etc), and involves both Modelling (of liabilities) and Reporting to the Trustees
- However, the report was issued in Feb2011, before TAS M was effective
- Unless the actuary was instructed to comply with TAS M in advance

- None of the generic TASs apply to the formal valuation report ...
- ... as the "Scheme Funding report" is not an "aggregate report" for decisions made as part of the calculation of Technical Provisions,
- ...so need only comply with the relevant section of the Pensions TAS.

Q1(i) was generally answered well, although some candidates listed at some length the detailed requirements of each TAS rather than the purpose.

(ii) The key documents are:

- Statement of Funding Principles describing
    - The Scheme's statutory funding objective
    - Any additional funding objectives
    - The circumstances in which anyone other than the employer might contribute
    - The circumstances in which payments may be made to the employer
    - The extent to which discretionary powers have been taken into account
    - The frequency of valuations
    - When additional valuations might be carried out
    - Policy towards cash equivalent transfers if a deficit exists
    - How, and over what period, any deficit will be met
    - Description of actuarial assumptions to determine TPs and for use in Recovery Plan
    - So must be completed before valuation is finalised

- Schedule of Contributions
    - Specifies both the amount and timing of contributions
    - How expenses, LSDB insurance and PPF levies are met
    - Must be certified by the actuary
    - As consistent with legislation and the SFP
    - Signed by the trustees and employer
    - Must be completed within 15 months of valuation date
    - And, if a deficit exists, must be sent to Regulator within 5 (working) days of certification

- Recovery Plan
    - Applies if a deficit exists relative to technical provisions
    - Steps to be taken to achieve statutory funding objective
    - Date by which deficit is expected to be eliminated
    - And date by which 50% of contributions due will be paid
    - Assumptions underlying calculation of shortfall
    - Signed by both the trustees and the employer
    - Must be completed and submitted to Regulator as with SoC

Q1(ii) was generally well answered, although some candidates covered documents that need not be prepared as part of the valuation process itself e.g. the Statement of Investment Principles.

(iii) In this event

- Likely to have been a negotation
- ...considering e.g. contribution & scheme closure powers in TD&R
- ...trade-offs e.g. additional security from sponsor in return for less prudent assumptions
- ... seeking advice from their respective actuaries
- ...perhaps involving third-parties e.g. independent actuarial advice
- 15 months from valuation date to reach agreement
- As a last resort, Trustees must notify the Regulator

- The Regulator will initially seek to encourage further negotiation if
- The Regulator has a number of powers to intervene directly if necessary:

- Can reduce accrual rates
- Can direct a funding objective and/or recovery plan
- Can impose a schedule of contributions
- Could replace trustee(s)
- FSD / contribution notice

Many candidates generated a reasonable number of the points above – weaker candidates often failed to describe the sponsor / trustee negotiation process at all, listing only the regulator's powers.

(iv)

- How significant is the contract in terms of the overall business plan?
- What was the reason for the loss of the contract?
- Is the issue industry-wide ...
- ... or something specific to the employer that might give the Trustees concern beyond the short-term affordability issue?
- Is there any long-term impact on the employer?
- Will the business continue to be profitable without the contract?
- Does the cancellation of the contract result in any compensation being paid to the Employer?
- What are the implications for cash flows within the business?
- **What are the implications for the affordability of the scheme in the short term i.e. how much can the employer pay?**
- What cash reserves does the Employer hold?
- Can AVC or ultimate parent pay the contributions or provide other security
- Is the loss of the contract temporary or permanent?
- Are there any new contracts that may replace the lost one?
- Will there be any reductions in scheme membership as a result of the loss of the contract (active members losing jobs)?
- Will there be any impact on salary increases
- What other non-cash assets does the company hold, and
- To what extent are these assets subject to prior charges?
- Who are the creditors to the business and to what value?
- Are there any implications for compliance with banking or other covenants?
- Has there been any independent business review carried out that can be shared with the Trustees?
- Have any ratings agencies amended their rating of the Employer?

In Q1(iv), many candidates focused on the longer term assurance the Trustees might seek from the Company (contingent assets etc.), rather than the "initial questions the Trustees should ask the employer". Alternatively, they made points but did not develop them into specific questions the Trustees might ask. This leaves the examiners wondering if the *candidates genuinely understand the subject, or are just recalling the core reading on sponsor covenant and alternatives to cash funding.*

(v) The Trustees should consider:

- Trustees have to balance their responsibility to protect all members' accrued benefits...
- ...with the interests of active members whose jobs may be at risk
- What do the rules of the Scheme say?
- Are any changes to the rules required to implement this?
- Likely to require legal advice on TD&R / employment law implications
- Does the Employer have the power to cease accrual unilaterally
- ... Or does the change require Trustee consent
- Do the rules trigger a wind up on cessation
- ... Or does the scheme simply continue as a closed scheme
- SFO applies if run as a closed fund
- Is it appropriate to inform the Pensions Regulator?
- Any section 67 issues?
- Need to consider any pensions implications of employment contracts
- Whether the Employees' contracts allow cessation of accrual
- Do the contracts state a specific format of benefits
- Or simply require membership of a scheme
- To what extent is member consultation required
- Legislation requires consultation with members for cessation of accrual
- TUPE may require future benefit provision

Q1(v) was generally answered well.

(vi)

- The change will reduce ongoing accrual cost by 25% of £4m = £1m p.a.
- But what will cost of alternative benefit be, if any?
  - A DC replacement might cost 5–10% of salary roll
  - Auto-enrolment / NEST minimum benefits
  - So saving on accrual may be closer to £600–800k p.a.
    (or other sensible figure)
- There will be costs associated with amending/closing scheme (and setting up new one)
- PPF levy might increase if employer strength reduced
- Closure of accrual may result in changes to assumptions
  - Which might in turn result in a higher deficit
  - And hence a higher requirement for recovery contributions
- There will be a reduction in the accrued deficit also
  - Assuming there is an allowance in the valuation for salary increases in excess of revaluation in deferment
  - This may be of the order of 1.5% p.a. in excess of inflation
  - Whereas revaluation may be similar to inflation
  - So assuming an average weighted term to retirement for active members of, say, 15 years (allowing for fact open to new entrants)
  - This might reduce accrued liabilities by around (1.015^15–1) = 25%

- So assuming no other change to assumptions, may reduce deficit by 0.25*£10m = £2.5M (*marks for any other well argued calculation*)
- Which in turn could reduce deficit contributions by 2.5/20*£3.0m = £375k p.a.
- Assuming recovery plan is re-negotiated
- Or length of recovery plan may just be reduced at existing level

- So overall, assuming no change to financial assumptions, annual costs would fall by something of the order of £700k + £375k = approx £1.1m p.a.
- This is a reduction in contribution requirements of approx 1.1/(1+3.0) = 27%
- Which is relatively small relative to the size of the lost contract
- It is therefore unlikely that, in isolation, cessation of accrual will solve any problems as a result of the lost contract
- Potentially similar impact on accounting basis
- ... and there may be an impact due to the curtailment of the current plan
- (*or any other well argued conclusion*)

Q1(vi) was answered well by many, although a number of candidates did not include adequate explanatory wording around their calculations. Furthermore, many failed to follow their calculation of the reduction in the deficit through to a reduction in the deficit contributions. Only the better candidates then related this to the sponsor's circumstances, or considered issues such as the costs of closure/setting up a new scheme. This was evidence of poor question reading, given the instruction to "Discuss the financial impact of this proposal on the employer".

(vii)

- **Revise the Statement of Funding Principles and carry out a new valuation**
  - This would give the members limited short term additional security
  - As the change to the valuation would not result in additional access to assets immediately
  - But might accelerate funds or increase demand on the Employer for a larger deficit
  - And would probably not prevent the need for cessation of accrual
  - The Trustees may demand a more stringent Recovery Plan
  - Because they would take account of the reduced covenant
  - Which may put additional pressure on the Employer
  - Although issues of affordability may result in a higher deficit but longer recovery plan
  - And may result in further financial strain to the Employer
  - The Regulator would have to be advised, as for any other formal valuation
  - And they may seek to intervene if concerned

- **Seek to revise the Recovery Plan**
  - *Broadly same points as revised valuation, so double credit was not given.* Changes as follows:

- May seek to shorten plan if long term concern on covenant
- Or may agree to extend to maintain affordability
- This would give the members limited short term additional security
- As the change to the plan would not result in additional access to assets immediately
- But might accelerate funds
- Or indeed reduce security if recovery plan extended
- And would probably not prevent the need for cessation of accrual
- A higher contribution requirement may put additional pressure on the Employer
- And may result in further financial strain to the Employer
- Although if issues of affordability result in longer recovery plan it may ease pressure
- The Regulator would have to be advised of a change in the plan
- And they may seek to intervene if concerned

- **Seek parent company guarantee**
  - This would likely give the members significant additional security
  - Especially given the ultimate parent is a sovereign state
  - And may prevent the need for cessation of accrual
  - And would allow the Trustees to be more flexible with the Recovery Plan
  - Because they could take account of the parent's covenant
  - And would take significant pressure off the Employer
  - Although this may result in additional financial requirements at a Group level
  - There would have to be a formal agreement put in place to ensure enforceability
  - Which would have to clearly set out commitments from parent
  - And in what circumstances the commitments applied
  - Which would require input from Employer's legal advisers
  - As well as the Trustees'
  - If the guarantee was to be used for PPF levy purposes, then the PPF would also have to be consulted

- **Seek contingent asset in form of property or cash**
  - This would likely give the members significant additional security
  - Because the potential value of the assets would be increased
  - And may prevent the need for cessation of accrual
  - ... would allow the trustees to be more flexible with the Recovery Plan
  - Because they could take account of the possible value of the asset
  - And would take significant pressure off the Employer
  - Although this may result in less flexibility in raising capital for other projects
  - There would have to be a formal agreement put in place to ensure enforceability
  - And to set out in what circumstances the asset would fall to the Scheme

    - Which would require input from the Employer's legal advisers
    - As well as the Trustees'
    - If the guarantee was to be used for PPF levy purposes, then the PPF would also have to be consulted
    - And in the case of a property, professional valuation of the asset would be required
    - Potentially with vacant possession if the tenant is the Employer

- **Review benefit options / liability management exercises**
    - To reduce liabilities
    - ... or reduce risks within the scheme
    - ... which may reduce deficit / contribution requirements
    - Transfer value incentives
    - ...might require up front funding – so unrealistic currently?
    - Pension increase exchange exercises
    - Reviewing option terms and eligibility
    - E.g. commutation / early retirement factors
    - Any discretionary benefits still available
    - Members likely to receive lower benefits or reduction in value overall
    - ... so unclear that Trustees would initiate this unless certain it is best interest of members overall
    - ... i.e. delivers increased security for benefits remaining, and
    - ... is still fair to members taking options, TVs, swapping pension etc.
    - More likely to be initiated by employer
    - Enhanced TVs/ Pension Increase exchange will need member consents
    - ... and substantial communication / advice to members
    - Reviewing factors will require actuarial advice etc.

- **Trigger Wind Up of Scheme**
    - This would likely only be done if the Trustees were fearful of insolvency of the Employer
    - This might give the members additional security
    - If the resulting debt were affordable
    - Although this might result in Employer insolvency
    - And consequently an underfunded scheme
    - Which may well fall into the PPF
    - Giving greater security for members, but on a potentially lower level of benefit
    - And for active members may result in loss of employment
    - The Regulator would have to be advised
    - And the PPF may get involved if the debt cannot be met

Marks were given for any other DISTINCT well-argued solution (noting that a candidate including "change investment strategy" would need to consider that the strategy is already somewhat cautious, and those suggesting "enter the PPF" would need the employer to first be insolvent). Some candidates failed to offer four distinct course of action, or threw in lots of ideas, but failed to structure their answers logically, so that it was unclear whether their approaches were distinct or just variations on a theme. Future candidates practising their *exam technique might want to note that the question suggested a structure of four proposals, and five criteria for assessing each – so breaking the question into 20 x 1 (or even just 4 x 5) mark questions might be a more successful strategy than trying to complete the 20 mark question in one go.*

2 (i)

- **based on age profile, within ten years all liabilities will be in respect of pensioners so 15 does seem to be a fairly long period**
- pensioners may be fairly young, however, so still time to meet the deficit
- company may be in financial distress..,
- ... and agreement based on what the company can reasonably afford
- ... with formal review of covenant supporting this conclusion
- ... company may not survive (and members worse off) if a shorter plan is imposed
- size of technical provisions deficit (£200m) may be large relative to size of employer
- even if not in distress, strength of company covenant may have deteriorated in recent years
- overall funding assumptions may have been sufficiently prudent to warrant a reasonably long recovery period...
- ... 50% solvency vs 75% ongoing funding level does not suggest this however, for such a mature scheme
- plan may be front-end loaded
- alternative security offered by sponsor
- NB 15 years likely to 'trigger' further action from the Pensions Regulator
- tPR trigger has typically been 10 years
- but Regulator's further action initially will be to request information on discussions between company and trustees
- and tPR has recognised recent economic circumstances may justify longer plans
- so tPR may have reviewed this plan and thought it was appropriate.

Q2(i) was answered moderately well, but few candidates included enough detail to score highly, or use the information in the question to support their arguments (or weaken them – very few noted that almost all the liabilities would be in respect of pensioners before the recovery plan proposed was complete).

(ii) Investment strategy

- scheme very mature, so important to have large amount of liquid and secure assets
- currently there is a large proportion (60%) of risky assets, i.e. the equities and property
- which may increase expected return, but carry large risk of falling in value
- main risk is having insufficient liquid assets to pay benefits
- ... i.e. the large proportion of immediate pensions and deferred members who will be retiring within the next ten years
- ... and have to realise other assets at an inopportune time

- and risk of assets not being a good match to the liabilities e.g. by duration, nature, currency

Sponsor's covenant

- main risk is that strength of sponsor covenant could weaken significantly during the recovery period
- if in distress then deficit becomes financially unmanageable
- and problem worsens if deficit is large relative to size of company
- so sponsor likely to default on agreed contributions, or
- if company fails, then risk that sufficient debt will not be recovered
- other seemingly profitable / interesting projects may arise leading company to seek to re-negotiate recovery plan
- ability of sponsor to pay improves, but sponsor remains unwilling to pay

- Note that whilst recovery plan period is long, investment strategy and covenant will be reviewed at next valuation in three years.

Q2(ii) was generally well answered.

(iii) Mitigate investment strategy risks by:

- match liability by
  - nature – index-linked bonds instead of fixed
  - term – choose assets that reflect the reducing duration of the liabilities
  - currency – using currency swaps / hedging if required
  - certainty – reduce exposure to any remaining risky assets
- full liability-driven investment (LDI) strategy
- using derivatives, e.g. swaps to match/reduce interest rate and inflation risk
- buying out pensioner liabilities – i.e. purchase an annuity policy for pensioners
- liability management to reduce risks e.g. pension increase exchange
- regularly monitoring the scheme's funding level on both technical provisions and discontinuance bases
- or aim to fund deficit by investing aggressively initially, perhaps...
- ... designing a plan to switch from risky assets to bonds if market conditions are favourable and/or funding level improves earlier than expected
- ...and take steps (e.g. request more money from the company) if funding level lags significantly behind expectations

Mitigate sponsor covenant risks by:

- frequently monitoring the sponsor covenant
  - e.g. by employing specialist professionals, or
  - meeting regularly with the FD or board of the sponsor
- review SIP
- e.g. change the scheme's investment strategy to bonds,
- but lower returns assumed likely to increase technical provisions making the situation worse for the company in short term
- review SFP

- e.g. directly/explicitly increase prudence margin in technical provisions (same consequence)
- investing in assets that pay out in the event of sponsor default, such as derivatives including credit default swaps
- considering alternatives to cash payments if the sponsor is unable to afford them, such as a charge on the sponsor's fixed assets
- including ratchets in contributions so that if the sponsor's financial position improves then the scheme shares in this improvement
- set up contingent contributions so the sponsor has to make up the deficit more quickly if the scheme's financial position deteriorates.
- in severe distress, trustees could defer contributions to maximise the chance of the company remaining in business

Most candidates managed many more points on mitigating sponsor covenant risk than for investment risk, often just mentioning "matching" for the latter. Again this suggests a dependence on recall of bookwork rather than being able to apply knowledge from other parts of the pensions and perhaps the wider actuarial syllabus to the problem in hand. Once again, many candidates' solutions did not refer to the specific features of the scheme in the question.

There was significant scope for overlap between parts (iii) and (iv) in particular, so examiners used judgement in deciding whether distinct points were being made, and credit was given if a relevant point was made in the "other" part compared with the model solution.

(iv) Demographic profile

- scheme is very mature (large proportion of pensioners, and deferreds close to retirement)
- scheme is closed, so ageing membership
- scheme future relatively short timescale vs most other schemes
- in ten years all members will be pensioners, so by then:
- ideally would want to have very little investment risk and minimal reliance on sponsor
- think whether to buyout or run scheme on a closed fund basis
- buyout may not be feasible due to 15 year recovery plan for technical provisions

Current investment strategy

- scheme is decreasing in size, and has a limited lifespan
- and need to improve match of assets and liabilities
- therefore it would seem inappropriate to increase investment in risky assets
- the cash flow position may be negative because of the lack of contribution income
- the scheme will be a forced seller of assets, on a regular basis.
- The Trustees must ensure that the assets either produce sufficient investment income,
- or are sufficiently liquid and marketable that they do not become forced sellers of illiquid assets.
- so likely to need to remove property from portfolio (at some point)
- need to assess risky assets in portfolio:

    - maintaining some risky assets may be appropriate to increase expected return relative to liabilities
    - there exists a large proportion of equities, so reduce significantly with aim to invest in bonds
    - could improve diversity of risky assets by reducing equities and investing in alternatives, such as hedge funds
    - can improve diversification of equities by ensuring that any remaining equities would have a higher proportion invested overseas
    - ...noting that this introduces currency risk
- need to improve match of bonds,
    - e.g. reduce corporate bonds and increase allocation to index-linked bonds to match inflation-linked liabilities
    - term of liabilities will be relatively short so need large proportion of short-dated bonds
    - could use inflation swaps
    - may consider any overseas and/or non-government index-linked bonds vs index-linked gilts, in particular the relative security
- any transition from current to new strategy could be phased over a short period
- Trustees will need to decide on whether to employ active or passive managers
- in around ten years, all members will be pensioners so need to adopt a very closely matched cashflow position
- so could design a plan to gradually switch from risky assets to liability-matching assets over ten years
- Trustees will need to consult with the sponsor re any proposed changes

Funding

- there is a £200m technical provisions deficit, so Trustees may be anxious about the position worsening
- and may wish to adopt a cautious investment strategy
- but they may also wish to adopt a riskier investment strategy in the hope of eliminating the deficit quickly,
- but should be clear about the possible downside consequences of doing so
- and how their actions may be viewed by members
- technical provisions largely reliant on investment strategy, so any asset changes will be reflected in next funding update or formal valuation
- any significant increase in bonds will reduce expected investment returns and increase value of technical provisions
- leading to a higher than expected deficit at next valuation
- Trustees should be aware of the impact of the volatility of assets on funding levels – i.e. it is "geared" up when the scheme is shrinking.

Sponsor covenant

- the situation is serious: the sponsor covenant is poor, and the funding level is poor, taken together this makes investment strategy very difficult
- ... and ultimately need to fund for buyout so no reliance on sponsor
- ... too cautious and the scheme will never be able to afford liabilities

- (likely to take >30y on proposed contribution pattern to reach buyout)
- A more aggressive approach may get the scheme to buyout ...
- ... but if returns are poor, the employer is not strong to stand behind the scheme
- take account any weakness when setting investment strategy
- since sponsor has a weak covenant, the Trustees will be likely to want to invest in large proportion of "risk-free" bond assets
- but this will lock in to the current poor funding position

Candidates seemed to cover the demographic profile and investment strategy quite well, but were often somewhat muddled in analysing the funding situation and sponsor covenant.

(v) *Credit was given for any two of the following*:

Immediate annuities for pensioners (75%), mix of growth assets (equities) and bonds for deferreds

- scheme is very mature, so annuities good match for large proportion of liabilities
- annuities likely to be competitively priced, but risk of increased deficit on TP basis if price greater than TP reserve
- current pensioner longevity risk is removed
- most interest rate and inflation risk is removed
- still an investment that requires monitoring
- exposed to covenant of insurance company
- but little reliance on covenant of sponsoring employer

Funding implications

- likely to have lower expected investment returns than current strategy,
- so higher technical provisions,
- and lower expected current and future funding levels
- but expect less variability in future funding levels compared to current strategy
- but may be more volatility in funding levels compared to alternatives below.

Mix of corporate bonds and/or gilts and inflation swaps

- liabilities are all inflation-linked, so fairly predictable
- cash flows can be predicted with some degree of accuracy
- swaps plus underlying physical assets are suitable for exactly matching cash flows
- most or all interest rate and inflation risk is removed
- may be able to purchase swaps more cheaply than physical assets
- swaps do not require large amount of cash upfront
- still exposed to longevity and other demographic risk
- still reliant on covenant of sponsoring employer, but least reliance compared to other options.

Funding implications

- if cash flows exactly matched, then expect little or no volatility in future funding levels
- but also little opportunity for surplus to arise
- solvency / buyout funding position also less volatile
- ... as insurers hold similar assets to back annuities

Index-linked gilts (75%+) and remaining proportion in growth assets

- should be able to get bonds of suitable duration to match liabilities which are all inflation-linked
- will not be able to match cash flows

Funding implications

- likely to have lower expected investment returns than current strategy,
- so higher technical provisions,
- and lower expected current and future funding levels
- but higher volatility in future funding levels than (a) or (b)
- reasonable expectation of higher projected funding levels than (b)

Liability driven investments

- points similar to (b), but may or may not include swaps

100% Index-linked gilts

- liabilities all inflation-linked, so fairly predictable
- should be able to invest in index-linked gilts of suitable duration,
- but unable to match cashflows exactly
- so exposure to future re-investment risk
- still exposed to significant demographic risk
- and reliant on strength of company's covenant

Funding implications

- expect significant reduction of the volatility in funding levels
- but some volatility remains given above points re matching restrictions
- reasonable expectation of lower projected funding levels than (a) and (c)

Many candidates failed to give adequate justification of their proposed strategies or proposed strategies so similar that they were unable to make enough distinct points to get full credit. Furthermore, many candidates did not discuss the impact on funding as requested.

Finally a candidate suggesting 100% equities in Q2(v) would have to have included a very strong justification for doing so, given the instruction to suggest "suitable benchmark strategies", and the examiners struggled to think of such a justification beyond "chase high returns, noting the existence of the PPF as a fallback if things go wrong". The examiners gently remind candidates that the Actuaries' Code states that "actuaries have a core obligation to serve the public interest".

END OF EXAMINERS' REPORT