



Institute  
and Faculty  
of Actuaries

# SA4 – Pensions and Other Benefits Specialist Advanced

Syllabus

for the 2023 exams

June 2022



# SA4 – Pensions and Other Benefits Specialist Advanced

## Aim

The aim of this subject is for candidates to develop the ability to apply knowledge of the benefits environment (in the UK and other jurisdictions) and the principles of actuarial practice to the financial management of pensions and other benefits in complex situations.

## Competences

On successful completion of this subject, a candidate will be able to:

- 1 understand the more complex aspects of actuarial practice within benefit provision.
- 2 apply the principles of actuarial practice to the management of pensions and other benefits under complex scenarios.
- 3 compare the approaches by which the principles are applied in practice across different jurisdictions.
- 4 recommend coherent solutions and courses of action in relation to the overall financial management of benefit arrangements.

## Links to other subjects

SP4 – Pensions and Other Benefits Specialist Principles

P4 – Pensions and other benefits UK Practice Module

## Syllabus topics

- 1 Pension and benefit provision and general business environment (30%)
- 2 Regulatory, legislative and taxation environment (15%)
- 3 Design and financing of benefit arrangements (20%)
- 4 Reporting/valuation and management of benefit arrangements (15%)
- 5 General business and risk management (20%)

These weightings are indicative of the approximate balance of the assessment of this subject between the main syllabus topics, averaged over a number of examination sessions.

The weightings also have a correspondence with the amount of learning material underlying each syllabus topic. However, this will also reflect aspects such as:

- the relative complexity of each topic and hence the amount of explanation and support required for it.
- the need to provide thorough foundation understanding on which to build the other objectives.
- the extent of prior knowledge that is expected.
- the degree to which each topic area is more knowledge- or application-based.

## Skill levels

The use of a specific command verb within a syllabus objective does not indicate that this is the only form of question that can be asked on the topic covered by that objective. The Examiners may ask a question on any syllabus topic using any of the agreed command verbs, as are defined in the document 'Command verbs used in the Associate and Fellowship written examinations'.

Questions may be set at any skill level: Knowledge (demonstration of a detailed knowledge and understanding of the topic), Application (demonstration of an ability to apply the principles underlying the topic within a given context) and Higher Order (demonstration of an ability to perform deeper analysis and assessment of situations, including forming judgements, taking into account different points of view, comparing and contrasting situations, suggesting possible solutions and actions and making recommendations).

In the SA subjects, the approximate split of assessment across these three skill types is 20% Knowledge, 50% Application and 30% Higher Order skills.

## **Detailed syllabus objectives**

### **0 Introduction**

- 0.1 Define the main terms used in the provision of benefits in various jurisdictions.

### **1 Pension and benefit provision and general business environment (30%)**

- 1.1 Describe the roles that interested parties may play, and responsibilities they may have, in the provision of benefits, including the following:
- The State
  - Any other central body within the jurisdiction
  - Employers
  - Individuals
  - Trustees
  - Actuaries
  - Investment advisers
  - Other advisers.
- 1.2 Discuss the factors that influence the provision of benefits by the State, employers in the public and private sectors and individuals.
- 1.3 Discuss the main saving alternatives to pension savings available to individuals.
- 1.4 Discuss the issues surrounding sponsor covenant, including:
- what is meant by sponsor covenant.
  - when/how it may be measured.
  - integration with funding and investment.

### **2 Regulatory, legislative and taxation environment (15%)**

- 2.1 Describe how the legal framework attempts to:
- encourage appropriate non-State provision.
  - ensure security for non-State provision.
- 2.2 Discuss the implications, for the parties in 1.1, of the environment in which benefits are provided, in particular:
- benefits policy.
  - regulation.
  - the tax and national insurance regime.
  - accounting standards.
  - the Actuarial Standards in relation to actuaries practicing or giving advice in relation to pension arrangements.
- 2.3 Compare regulatory, legislative and taxation environments between different jurisdictions.

### **3 Design and financing of benefit arrangements (20%)**

- 3.1 Describe the different ways in which providers are able to finance the benefits to be provided, including:
- the timing of contributions (relative to when the benefits are due to be paid).
  - the forms and characteristics of investment that are available.
  - financial instruments and contingent funding arrangements that may be used to back benefit promises.

3.2 Discuss the factors to consider in determining a suitable design for a pension scheme, or other benefits such as social security benefits, including:

- type of pension scheme (e.g. defined benefit, defined contribution, risk-sharing).
- the governance requirements.
- the level and form of benefits and/or contributions.
- the method of financing the benefits.
- how risk is shared between parties.
- the choice of assets (when benefits are to be funded).

and describe how membership and other data analysis can be used to provide insight into individuals' current and future behaviour and therefore inform benefit design.

#### **4 Reporting/valuation and management of benefit arrangements (15%)**

4.1 Describe the issues that arise from the transfer/amendment of benefit rights, for example following significant corporate activity (such as an acquisition or scheme merger), including:

- the interests and responsibilities of the parties involved.
- the terms set out in the legal documentation.
- financial aspects, such as the calculation of the bulk-transfer value (if relevant) and benefits provided.

4.2 Determine an appropriate method and appropriate financial and demographic assumptions for a valuation of a pension scheme and placing values on benefits and contributions.

4.3 Discuss how to determine values for assets, past and future benefits and future contributions, including:

- the data requirements.
- the reasons why the assumptions and methods used may differ in different circumstances.
- the extent to which values should reflect investment/risk management strategy.
- valuing guarantees and options.
- sensitivity analysis and reasonableness checking.

and be able to perform calculations to demonstrate an understanding of the main methods used.

4.4 Discuss the issues taken into account in producing information to meet accounting standards, including:

- the objectives.
- the disclosure requirements, including those for directors' remuneration.
- the calculations of cost of benefit provision.

4.5 Discuss the issues concerning surplus/deficit including:

- identifying the sources.
- the factors that affect the treatment of a surplus/deficit.

and describe how the financial significance of deviations from expectations should be monitored and assessed, including:

- the data required.
- the methods used.
- the use of the results to help identify issues and develop solutions.

#### **5 General business and risk management (20%)**

5.1 Describe the main risks affecting and risk mitigation strategies concerning:

- the level and incidence of benefits.
- the level and incidence of contributions.
- the level and incidence of return on assets.
- the extent to which assets are exhausted during a member's lifetime.
- the overall security of benefits.

5.2 Analyse the investment strategy of a provider of benefits, taking into account:

- any asset-liability matching requirements.
- 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 strategies.

5.3 Discuss the principles underlying the use of insurance as a means of risk mitigation.

5.4 Discuss the benefit options typically available to individuals:

- before retirement.
- at retirement.
- after retirement.

and discuss how to set appropriate terms and consent requirements for these options (where appropriate), taking into account the risk and reward for all relevant parties.

5.5 Discuss the issues arising from the discontinuance of benefit provision, including:

- the rights and expectations of beneficiaries.
- the availability and selection of a method of provision of discontinuance benefits.
- the level of available assets.

## **6 Solving problems**

6.1 Recommend coherent solutions and courses of action in relation to the overall financial management of benefit arrangements.

- Analyse complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
- Assess the implications and relevance of such factors, integrating the results into a coherent whole.
- Evaluate the results critically in a wider context, drawing appropriate conclusions.
- Propose solutions and actions, or a range of possible solutions and actions, based on this evaluation.

## **Assessment**

The assessment of this subject will consist of one examination. The candidate will be asked to apply actuarial practice and concepts to problems in the pensions and employee benefit environment and to integrate analysis, evaluation and interpretation of results in order to draw conclusions. A number of questions will be set with varying marks, in line with the above syllabus topic weightings and skill levels.

The duration of this examination is three hours and twenty minutes and is timed and online.

Please read the latest version of the IFoA Examinations Handbook and IFoA Examination Regulations on the IFoA website before sitting any IFoA examination.

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