

EXAMINATIONS

12 September 2000 (pm)

Subject 201 — Communications

Time allowed: 1½ hours

INSTRUCTIONS TO THE CANDIDATE

Write your surname in full, the initials of your other names and your Candidate's Number on the front of the answer booklet.

AT THE END OF THE EXAMINATION

Hand in BOTH your answer booklet and this question paper.

<p><i>In addition to this paper you should have available Actuarial Tables and an electronic calculator.</i></p>
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In a recent pension fund valuation report, you commented that salaries had increased by more than the 4% per annum assumed in your previous valuation three years earlier. Another part of the report gave the average salary information as follows:

	<i>Previous valuation</i>	<i>This valuation</i>
No. of members	800	800
Average Salary	£31,500	£28,775

A trustee of the pension scheme has written to query why the average salary was now lower than at the previous valuation, whilst the valuation report stated that salaries had increased by more than the 4% previously assumed.

You have the following additional information:

Salary information

	<i>No.</i>	<i>Average salary at previous valuation</i>	<i>Average salary at this valuation</i>	<i>Increase per annum</i>
Members present throughout the period	500	£30,000	£34,700	5%
Members at last valuation who left during the period	300	£34,000		
Members at this valuation who joined during period	300		£18,900	

Employment basis — Number of employees

	<i>Previous valuation</i>	<i>This valuation</i>
Full-time	700	500
Part-time	100	300

Draft a letter to the trustee in 400 to 500 words explaining the apparent discrepancy.

Notes:

- The Trustee does not have the additional information.
- There are no restrictions on providing the additional information to the Trustee.
- The 4% per annum assumed rate of salary increase referred to members who remained members of the scheme throughout the period.
- The change in proportion of full-time and part-time members has been the major reason for the reduction in average salary.
- All salary information relates to basic salary only.