Institute and Faculty of Actuaries

EXAMINERS' REPORT

SA4 - Pensions and Other Benefits Specialist Advanced

April 2023

Introduction

The Examiners' Report is written by the Chief 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. The Examiners have access to the Core Reading, which is designed to interpret the syllabus, and will generally base questions around it but are not required to examine the content of Core Reading specifically or exclusively.

For numerical questions the Examiners' preferred approach to the solution is reproduced in this report; other valid approaches are given appropriate credit. For essay-style questions, particularly the open-ended questions in the later subjects, the report may contain more points than the Examiners will expect from a solution that scores full marks.

For some candidates, this may be their first attempt at answering an examination using open books and online. The Examiners expect all candidates to have a good level of knowledge and understanding of the topics and therefore candidates should not be overly dependent on open book materials. In our experience, candidates that spend too long researching answers in their materials will not be successful either because of time management issues or because they do not properly answer the questions.

Many candidates rely on past exam papers and examiner reports. Great caution must be exercised in doing so because each exam question is unique. As with all professional examinations, it is insufficient to repeat points of principle, formula or other text book works. The examinations are designed to test "higher order" thinking including candidates' ability to apply their knowledge to the facts presented in detail, synthesise and analyse their findings, and present conclusions or advice. Successful candidates concentrate on answering the questions asked rather than repeating their knowledge without application.

The report is written based on the legislative and regulatory context pertaining to the date that the examination was set. Candidates should take into account the possibility that circumstances may have changed if using these reports for revision.

Sarah Hutchinson
Chair of the Board of Examiners
July 2023

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A. General comments on the *aims of this subject and how it is marked*

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

This subject examines the ability of candidates to apply actuarial practice and concepts to potentially complex problems, integrating their analysis into a coherent whole, and evaluating and interpreting results to draw explicit conclusions.

The Examiners, therefore, look for candidates to demonstrate their understanding of the syllabus but in particular they need to demonstrate ability in applying their knowledge and core actuarial skills to the specific situations that the Examiners have raised, having read the question carefully. Consistently, many of the unsuccessful candidates provide answers that are not sufficiently specific to the subject matter of the question, reproduce core reading that does not directly relate to the question context, or focus on one specific point without covering a sufficient range of points to answer the question. This does not enable the candidates to achieve the required marks.

Well prepared candidates demonstrate that they have structured their solutions well, this is a big advantage in making points clearly and without repetition. There is a significant incidence of points being repeated in slightly different ways, restricting the scope for candidates to score marks. Good structure enables candidates to use the latter parts of questions to generate ideas for answers to the early parts (or use their solutions to earlier parts of questions to create a structure for latter parts). Time management is important so that candidates give answers to all questions that are roughly proportionate to the number of marks available. The questions are set so that it should take approximately twice as long to answer a 10 mark question as a 5 mark one. Answers should therefore be similarly proportionate.

In addition, candidates should carefully consider the instruction, for example, an instruction to list points should be answered with a list without attaching discussion. Similarly, a question asking for a discussion cannot be answered with a list of undeveloped points.

Finally, it is very helpful to the Examiners if candidates clearly identify points made; if they are set out clearly, well-spaced and easily legible. Whilst there is no loss of marks for not doing so, doing so does make it easier to identify scoring opportunities.

Candidates who give well-reasoned points, not in the marking schedule, are awarded marks for doing so.

B. Comments on *candidate performance in this diet of the examination.*

The better prepared candidates were those who read the questions carefully, tailored their answers to the questions and thought about what was being asked, rather than just writing about what they know on a particular subject. It was pleasing to see that in this sitting a

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larger proportion of candidates did indeed tailor their answers appropriately with resulting higher marks.

The paper also required candidates to think beyond the obvious answers in a number of places, and the better prepared candidates were able to bring in ideas from other areas of the course to score higher marks in these parts. Less prepared candidates didn't write enough points to ever be able to score highly.

Application aspects of the course are harder to score well on, although again it was pleasing to see an improvement in this area at this sitting. By taking a methodical approach to answers, step by step, candidates were able to score well. It is important that candidates make sure they provide a full answer to all questions.

The importance of structure in the exams should not be underestimated because this will lead to much more efficient work post exams. It is more difficult to get good marks in the absence of a good structure because it means that logical points are more likely to be missed. Sometimes points are just repeated further through the answer meaning that the response was more likely to look of sufficient length than it really was for the marks available. The computer based format should make it easier to structure answers well.

Time management is required to make sure there is enough time to answer all the questions.

Breaking the question down into smaller parts helps to make sure that a suitable breadth of answer is supplied. It is critical that candidates check that their answers specifically refer to the details of the question, using all of the information in the question pre-ambles. It is not the intention of the examiners to include information in the questions that is not relevant to the answers.

C. Pass Mark

The Pass Mark for this exam was 57.
209 presented themselves and 80 passed.

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Solutions for Subject SA4 - April 2023

Q1

(i)

Compulsory provision	[½]
With minimum contributions	[½]
And government guarantee to ensure minimum level of benefit	[½]
Such as auto-enrolment	[½]
Governments can regulate pension schemes and investments	[½]
so that members have confidence that their savings are safe	[½]
Direct financial incentives from government i.e. lump sum	[½]
Tax incentives	[½]
Employers' contributions can be treated as business expense	[½]
Employees conts paid from pre-tax pay	[½]
Tax incentives maybe only up to certain level or on basic rate of tax for progressive system	[½]
And to save costs and target low earners	[½]
Some benefits can be tax free	[½]
such as lump sum on retirement	[½]
or dependants' benefits	[½]
Investment income could be subject to reduced tax	[½]
Education of employers/citizens	[½]
Central administration to reduce costs	[½]

[Marks available 9, maximum 6]

(ii)

General/Regulation:

What are other countries doing?	[½]
What will be the assumed retirement age?	[½]
Is there any other State pension provision?	[½]
How will new system integrate with existing provision	[½]
Is there a target fund at retirement?	[½]
Target could be set in terms of Net Replacement Ratio which could be earnings related	[½]
Which could be higher for low earners to reflect government policy	[½]
DC arrangement may be considered most appropriate	[½]
Although DB is a possibility but would have added complication and expense	[½]
Can employers opt out if they show existing arrangements meet minimum requirements	[½]
What will the taxation framework be	[1]
Will it be progressive to benefit lower earners	[½]
Governance - could require new arrangements to be set up under Trust	[½]
Penalties for non-compliance?	[½]

Eligibility:

Will it be compulsory	[½]
or will there be an opt-out option?	[½]
if so, will people be automatically opted back in every so often?	[½]
Should there be a minimum age?	[½]

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or maximum?	[½]
Or a minimum level of salary before contributions start	[½]
But that would affect low earners more	[½]
and part-timers	[½]
although low earners might not be able to afford the contributions	[½]
so might be more likely to opt out anyway	[½]
need to consider any legislation on discrimination on grounds of gender or age	[½]
Eligibility restrictions may help reduce administration costs e.g. as otherwise members could end up with very small funds	[½]
So minimum service could be introduced	[½]

Contributions:

Member contributions likely to be salary related	[½]
members could end up with very small funds	[½]
So minimum service could be introduced	[½]

Contributions:

Member contributions likely to be salary related	[½]
Although salaries could be capped to reduce costs	[½]
But would still help lower earners	[½]
What is the minimum member contribution	[½]
or maximum	[½]
does it start off lower to encourage participation	[½]
and gradually increase over time	[½]
or increase linked to pay increases?	[½]
so members don't really notice increased contributions	[½]
should employers have fixed rates	[½]
or start lower and increase over time as scheme established?	[½]
Or minimum rate plus matched contributions	[½]
again to encourage higher member contributions	[½]
Should contributions be age related?	[½]
Are contributions paid before tax?	[½]
Should there be a state top up?	[½]
Or is tax relief enough incentive?	[½]

Accumulation/Decumulation:

What vehicles should people their contributions into?	[½]
Will they be set up under Trust?	[½]
Will private companies create the vehicles	[½]
Or should the government provide an option	[½]
Such as NEST in the UK?	[½]
What investment options will be available?	[½]
Will members be able to choose their own funds?	[½]
But if they don't will there be a default fund	[½]
such as a life styling fund	[½]
what happens on retirement?	[½]
Can members just take their funds out and spend them how they choose?	[½]
Or will it have to be invested in an approved fund	[½]
Will annuity purchase be an option?	[½]

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Or income drawdown?	[½]
Restrict how benefits taken so adequate yearly income in retirement can be targeted?	[½]
Requirement for member advice so members make informed decisions?	[½]
How will investment fees will be met?	[½]
Will members be allowed to transfer their funds to alternative arrangements?	[½]
Will the government provide a minimum investment guarantee?	[½]
Will there be a policy on ESG investment?	[½]

Other:

What about people who don't have employer	[½]
such as self-employed?	[½]
Or those on benefits or who are unable to work?	[½]
will they be eligible to join a scheme?	[½]

[Marks available 36, maximum 21]

(iii)

Seems like a good idea as it would meet two government policies - increasing saving and climate change	[1]
What will the criteria be?	[½]
Who decides whether a fund passes?	[½]
Will it be independent from the government?	[½]
How/why did they choose the 10% enhancement?	[½]
Is it just on contributions paid that year	[½]
Or total contributions/fund	[½]
Which would be very generous	[½]
How often will the policy be reviewed	[½]
And how often will each fund be reviewed?	[½]
How long do contributions have to remain invested?	[½]
Do they have to have been in for the whole year?	[½]
Or could a pro-rata bonus be paid?	[½]
Is bonus paid on actual contributions or value of contributions at year end?	[½]
Will there be a maximum bonus paid?	[½]
What happens if member moves fund immediately after receiving bonus?	[½]
Could have a clawback over time possibly.	[½]
Will this affect the demand for these products and therefore reduce return?	[½]
What about employers	[½]
Will there be any advantage to them?	[½]
Should the investment providers be encouraged to provide funds that are approved	[½]
Or compelled even?	[½]
Especially if they are to be used as default funds?	[½]
Financial advice could be offered to members	[½]

[Marks available 12½, maximum 8]

[Total 35]

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Part (i) - generally well answered. The better candidates included more detail and examples of the various tax incentives that could be provided. Quite a few candidates missed marks by not explaining all the different types of tax incentive, e.g. employee/employer/in payment. It was surprising that many candidates didn't consider the impact for low earners.

Part (ii) - well answered by many candidates. The better candidates were able to provide more relevant points relating to the specific issues in the question which asked about encouraging low earners. Most candidates were able to provide some relevant points in respect of eligibility and contributions, but focussed just on minimum and maximums rather than other structures like matching/age related.

The better candidates were able to provide more detail around accumulation and decumulation and more general points that need to be considered to design the scheme.

Some candidates tried to answer the question from a DB perspective and provided some strange answers as a consequence - particularly in the context of accumulation and decumulation.

Part (iii) - a mixed response. Some candidates were able to clearly explain the pros and cons of the government proposal, and most were able to cover a number of the practical issues in terms of what, how and when the bonus would be paid.
Some candidates struggled to provide relevant points and instead provided wider climate change points, whereas the better candidates were able to provide plenty of relevant points to score well.

Some candidates went down blind alleys considering how the bonus might reach the qualifying funds (eg by being paid by the employer and claimed back from the government) and how the bonus might be funded rather than tackling the much more obvious concerns about qualifying criteria for the funds and qualifying investment duration.

Q2

(i)

Main principles for both sections are that sufficient assets are available to meet liabilities as they fall due	[1]
And investments are appropriate to the nature/term/currency/certainty of liabilities	[½]
subject to risk appetite of sponsor/trustees	[½]
The trustees powers and requirements under trust law	[½]
in particular the trustees will wish to protect the security of benefits	[½]
and consult with the employer in terms of their objectives and affordability	[½]
Investment advice should be taken	[½]
The covenant of the sponsor is important	[1]
A strong covenant means that more risk may be able to be taken within the	

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investment strategy	[½]
As sponsor should be there to make up difference	[½]
A weaker covenant suggests that more matching assets are important	[½]
To reduce investment risk with the section	[½]

Nature and term of liabilities:

Old Section (OS) is mature and will have shorter term	[½]
All of the benefits are real as linked to inflation	[½]
Index-linked bonds could be appropriate	[½]
OS may hold hedging assets, such as longevity bonds, to mitigate risk	[½]
OS investment strategy could reflect its longer-term plans for the scheme such as buying out the liabilities with an insurance company	[½]
by holding bonds reflecting those held by insurers or which can be transferred to the insurer on buyout	[½]
New Section (NS) is a brand-new scheme which is just about to open so term is likely to be longer	[½]
Depending on average age of current workforce	[½]
investment strategy in return seeking assets to maximise return and the reduce cost to the sponsor may be appropriate	[½]
All of the benefits are fixed in nature	[½]
Investment strategy in fixed bonds in long term may be appropriate to match benefits	[½]

Size of the fund:

OS is a large scheme so will have significant assets	[½]
This means it may have opportunities to invest in different assets and classes that are not suitable for smaller schemes	[½]
Will be able to hold diversified portfolio	[½]
NS has no assets yet so will be limited to managed/pooled funds	[½]
Assets are segregated so can't be part of OS's strategy	[½]
Given that assets are likely to remain low for the short term at least, then matching liabilities is not quite as important	[½]
Expected cashflows within the fund	[½]
OS is closed so no contributions coming in for accrual	[½]
It also had a small surplus so probably no other payments coming in	[½]
unless employer is paying additional contributions	[½]
to fund for buyout for example	[½]
Section is also mature so likely to be significant level of pensions being paid	[½]
so will be highly cashflow negative	[½]
Funds invested in will either need to be liquid	[½]
or provide income to pay pensions	[½]
Position will continue to get more cashflow negative as more deferreds retire	[½]
NS will start out as all active members so contributions for accrual will be paid	[½]
There will be no pensioners either	[½]
so strongly cashflow positive	[½]
This means that assets shouldn't need the liquidity or income like the OS	[½]
Funding level of the section	[½]
OS had small surplus at last valuation	[½]

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So could be in a position to start de-risking [½]
By moving into more matched assets [½]
Or even securing some benefits with an insurance company [½]
[Marks available 25, maximum 16]

(ii)
Trustees:
Scheme is 100% funded on self-sufficiency so should still be fully funded with this move [½]
as long suggested bond portfolio reflects the self-sufficiency basis [1]
Assets should match liabilities better [½]
If index-linked bonds of appropriate term [½]
So volatility of funding will be reduced [½]
But the expected return on the assets will be lower in the long term [½]
Will therefore require additional funding from employer to reach buyout [½]
Also, may not be possible to get perfect match with bonds available [½]
So will still be some volatility [½]
And demographic experience can't be hedged so still that risk [½]
Potentially greater risk due to lack of diversification [½]
Transaction costs could reduce funding level [½]

Employer:
Should provide higher asset returns over long term [½]
So could help scheme move closer to buyout [½]
Employer is clearly willing to take risk and covenant is strong [½]
So should be in position to make up shortfall if returns are poor [½]
no transaction costs if investments stay the same [½]
The funding position will be more volatile [½]
As only 30% bonds so low matching of liabilities [½]
a position that will worsen as scheme matures [½]
So much higher risk of funding deficit [½]
[Marks available 11, maximum 8]

(iii)
Move some of the equities into bonds [½]
would increase the level of matching [½]
and reduce volatility [½]
but keep a level of riskier assets to obtain a higher return [½]
Could possibly do it over time [½]
Could move into LDI assets [½]
Replacing the bonds [½]
This could possibly fully hedge the interest and inflation risk [½]
But keep the equities for the higher returns [½]
would need investment advice though [½]
and there are costs involved with the strategy [½]
Other possible examples could be a buy-in or even re-risking of the scheme
(Please give credit to suitable alternative distinct investment strategies but only marks for best two strategies, maximum of 2 marks per strategy)
[Marks available 5½, maximum 4]

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(iv)
General:

Trustees should enquire if this is a one-off loss	[1]
or signs of a general downturn in the industry	[½]
will the profits just be affected this year	[½]
or will it have a long term affect	[½]
Will any other contracts be affected	[½]
will the company be making any cost savings	[½]
such as redundancies	[½]
Could have a meeting with employer to discuss situation	[½]
Or get an independent covenant assessment	[½]
Updated more regularly	[½]
Other forms of security available?	[½]
Will need to review planned changes to investment	[½]
To see if they are still appropriate	[½]
And have another investment review if necessary	[½]
Possibly liaise with company about opening new section	[½]
Could decide to do nothing if immaterial or contingencies in place	[½]

[Marks available 8½, maximum 6]

(v)

Sponsor will need to take legal advice	[½]
and consult Trust Deed and Rules	[½]
and liaise with Trustees	[½]
who may have certain powers on discontinuance	[½]
depending on legislation there may need to be a consultation period	[½]
during which members can have their say on the closure to accrual	[½]
members may need to be offered alternative provision	[½]
sponsor will need to decide what to offer	[½]
Cleanse data	[½]
although should be good as scheme only opened a year ago	[½]
usually on cessation of accrual members simply retain a deferred benefit within the scheme	[½]
but all members will short service in the scheme	[½]
so will have fairly small benefits	[½]
or may not have to be offered deferred pension	[½]
or might not even be allowed to retain a pension depending on scheme rules	[½]
could simply be offered return of contributions	[½]
or a transfer value	[½]
which could be paid directly to the member	[½]
or may have to be paid into an approved scheme	[½]
depending on how scheme has been funded	[½]
it is possible that all of these options release surplus to the scheme	[½]
so will have assets left in scheme once all benefits have been settled	[½]
although after expenses paid there could be a deficit	[½]
Trustees will need to consult Rules to see what is to be done with assets	[½]
Could be returned to employer	[½]
But may incur tax penalty	[½]
Or could possibly be transferred to Old Scheme	[½]
Will need to review investment strategy	[½]

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e.g. more liquid investments required if members taking transfers or refunds of costs [½]
Communicate with the membership concerning their options and rights [½]
Could provide access to independent financial advice [½]
Communicate with any statutory authorities such as a pensions regulator [½]
[Marks available 16, maximum 12]

(vi)
Will depend on rules of both sections [½]
So trustees will again need to take legal advice [½]
on reopening of OS to NS members [½]
Sponsor may also need to be consulted as currently liability is being removed completely from
scheme for members as they all have less than 1 year's service [½]
could help ease employer relations as members will still have some pension [½]
The value of the deferred pension should be equal to the member's contributions [½]
Will need to decide basis of calculation of deferred pension [½]
And the benefits to be held within the scheme [½]
Will they be inflation linked like current Old Scheme members [½]
Or fixed like the benefits they would have had in the New Section [½]
What will be the basis for calculation [½]
Should it be a best estimate basis [½]
Such as the CETV basis in place [½]
Or the funding basis [½]
To make sure there is no funding strain [½]
transferring benefits will be small so have disproportionately high admin costs [½]
If contributions were paid in NS, prorated benefits could be offered … [½]
i.e. a fixed pension of member contributions/total contributions x $500 … [½]
or a DC account could be set up equal to the member contributions (plus interest) [½]
The trustees may consider it fairer to offer members of the NS credit for their total benefits earned … [½]
if member consent/actuarial certification required this may only be possible if full credit is given [½]
If there is a surplus in the NS, a benefit equal in value to each member's share of the assets in the NS using a best-estimate basis, could be considered [½]
[Marks available 11, maximum 7]

(vii)
Trustees will need to take actuarial and legal advice [½]
and consult scheme documentation, legislation and guidance [½]
Members will need to be informed [½]
provided with details, and updated, on the process [½]
Will need to communicate with any statutory authorities [½]
Such as tax regulator, pension regulator, CDF [½]
Collect and cleanse the data [½]
Determine the benefits for all members [½]
Deferred pensioners may take or be offered transfer values to alternative arrangements [½]
Trustees need to consider what transfer value terms would be fair to members who

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take transfers and those whose benefits remain in the scheme	[½]
and the financial impact.	[½]
Trustees may consider restricting options for any deferred pensioners wishing to retire until it is clear what can be provided	[½]
Review the investment strategy to mitigate risk of a worsening financial position	[½]
e.g. more liquid investments may be needed if members are taking transfer values	[½]
if buy out is ultimate target, bonds reflecting those held by insurers or which can be transferred to the insurer on buyout	[½]
Complete a valuation to estimate the position of the scheme on wind up and securing the liabilities with an insurer, non-insurance consolidator or central discontinuance fund (CDF)	[½]
It seems unlikely that the scheme will be able to secure all of the benefits for members	[½]
Legislation may mean that there is a debt on the employer	[½]
Which is the shortfall in the assets relative to the cost of providing the discontinuance benefits	[½]
In the UK the debt is estimated by the Scheme Actuary	[½]
And is equal to the cost of securing the accrued benefits with an insurance company	[½]
Plus expenses	[½]
Minus the scheme assets	[½]
What will actually be paid will depend on what assets the insolvent sponsor has	[½]
And the claims of other creditors	[½]
That could rank more highly than the pension scheme debt	[½]
If scheme assets plus any debt recovered are sufficient to buy out benefits with insurer, this is likely to be process trustees will follow as insurer likely to offer good security	[½]
If scheme assets plus any debt recovered are insufficient to buy out the benefits but sufficient to transfer benefits to a consolidator, trustees will need to consider whether to buy out reduced benefits or transfer to consolidator where members may be offered full benefits but with lower security	[1]
The approach for reducing benefits may be set out in the scheme documentation and legislation such as through a priority order	[½]
If scheme assets plus any debt recovered are insufficient to secure the scheme's benefits with an insurer or consolidator, the scheme may be eligible to enter a CDF	[½]
Such as the Pension Protection Fund in the UK	[½]
although the PPF is unlikely to provide the same level of benefits as were provided in the scheme	[½]
And the scheme will only be eligible if the scheme assets are insufficient to provide the PPF level of benefits	[½]
If the scheme is not eligible for a CDF, but the scheme's assets are insufficient to provide the full scheme benefits	[½]
then some or all members may not receive their full scheme benefit	[½]
and the benefits that are secured will be based on a priority order	[½]
which will be set out in the Scheme Rules	[½]
or by legislation	[½]
If there is a surplus after all the benefits are secured then the Trustees will need to decide how to distribute the surplus	[½]
Again this will be set out in the scheme Rules	[½]

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[Marks available 20½, maximum 12]
[Total 65]

Part (i) - well answered by many and showed that candidates had a good grasp of investment strategy factors. The better candidates were able to draw out all the relevant characteristics of the two sections and highlight the difference between the two, e.g. maturity, benefit and liability structure, asset size, liquidity. Lower scoring candidates made more general comments about investment strategy without specifically referring to the scheme characteristics.

The better candidates scored very well with well-structured responses focussing on the key factors influencing investment strategies and then highlighting how these affected the two sections using the information provided throughout the question.

Part (ii) - most candidates scored reasonably well on this question and were able to explain the advantages of each suggestion. Some candidates did not explain the risks clearly and, in particular, did not clearly explain the risks of the 100% bond strategy if the term and nature of the bonds did not match the self-sufficiency basis.

Weaker responses failed to appreciate that the scheme funding would be expected to be around 100% after implementing the trustee proposal and talked about a deterioration of the funding position.

A few candidates noted disadvantages rather than risks and again marks were again available by using the information provided in the question.

Part (iii) - answered well by most candidates although some did not provide 2 sufficiently distinct strategies to score full marks and in some cases provided multiple strategies.

The better candidates picked on LDI and use of leverage to continue to seek returns and use of buy-in to secure some risk and take risk elsewhere.

Part (iv) - answered reasonably well. However, a number of candidates went into too much detail about how the trustees could assess the covenant and the financial metrics of the company rather than considering the specific questions that should be asked about the background to the profit warning in order to establish how material this was to the longer term covenant.

Some candidates talked about reviewing funding positions and bases which was not required in this question. The focus was on the short-term actions, and these would have let them think about conversations with the employer, actions the company is taking and covenant monitoring

The majority of candidates managed to pick up marks by considering a common-sense approach, although there was a tendency towards over-reaction by some candidates, not forgetting that doing nothing may in some cases be the correct approach.

Part (v) - this was poorly answered by many candidates. Some candidates jumped straight into describing the wind up process for the new section. Most candidates missed the fact that the members would need to be offered alternative pension provision and/or that they had short service and so might only be entitled to a refund of contributions. Very few

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candidates realised that this could potentially give rise to a surplus or considered that a change in investment strategy may be required.

Some candidates failed to appreciate the difference between discontinuing a section with a solvent employer and winding up a scheme with an insolvent employer so their answers to this part were mostly more appropriate to part (vii).

Part (vi) - most candidates were able to provide some relevant points, however, many candidates missed that the deferred pension in the old section would be based on the member's contributions and so provided irrelevant points on how the pensions would be calculated.

As such candidates made the question more difficult than intended by ignoring the initial intention to provide members with a pension equivalent in value to their contributions. Other options might only be considered on the grounds of calculation simplicity or fairness if there is a surplus.

Very few scripts talked about the basis required, the different benefits and how these could be calculated, and how the transfer value could be determined in relation to the member's contributions.

Part (vii) - generally answered quite well although there was some confusion over the interplay between funding level and amount of benefits for the various means of securing benefits.

The better candidates were able to set out the main steps and explain the different outcomes depending on whether the scheme was under or over funded. Where candidates scored less well: in some cases, there was not enough detail on the various points in the process and the explanations vague or confused, often with too much around the debt on the employer and priority order.

Some candidates may have run out of time to answer this fully.

[Paper Total 100]

END OF EXAMINERS' REPORT

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