



Institute  
and Faculty  
of Actuaries

# Fellowship Qualification

## Pensions and other Benefits (SA4) Specialist Advanced

Syllabus for the 2025 Examinations

March 2024

# Pensions and other Benefits (SA4)

## Syllabus for the 2025 Examinations

This syllabus includes information to support the study of this subject. It will guide you through what you need to learn, application of learning as well as the skills that you need to develop. Information regarding the assessment of this subject is also included.

This syllabus includes:

- Aim of the subject
- How this subject links across the Qualifications
- Subject topics and topic weightings
- Subject objectives
- Assessment information

### Aim

Apply the main principles relevant to the provision of pensions and other benefits, to the management of benefit arrangements, taking into account the regulatory, legislative and business environment, as well as professional requirements. Provide solutions and give appropriate recommendations to business problems relating to benefit arrangements and the management of risk.

### Links across the qualification

#### Fellowship Qualification

There are two subjects covering pensions and other benefits, Pensions and other Benefits Specialist Principles (SP4) and Pensions and other Benefits Specialist Advanced (SA4). Each subject develops a specific set of skills and knowledge needed by actuaries working in, or who wish to work in pensions.

Pensions and Other Benefits Specialist Advanced (SA4) subject, further develops the principles from SP4, providing a more in-depth understanding of pensions and other benefits to enable actuaries to work in more complex scenarios.

### Topics and topic weightings

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%]

### Objectives

## 1 Pension and benefit provision and general business environment [30%]

In depth understanding of current and emerging types of benefit provision, key stakeholders and their roles and responsibilities, the comparison between state and employer pensions for individuals, and the environments in which the benefits are provided.

- 1.1 Understand, the roles and responsibilities of stakeholders, in the current and emerging types of benefit provisions:
- The State
  - Any other central body within the jurisdiction
  - Employers
  - Individuals
  - Trustees
  - Actuaries
  - Investment advisers
  - Other advisers
- 1.2 Understand the factors that influence the provision of benefits by the State, employers in the public and private sectors and individuals
- 1.3 Understand the main saving alternatives to pension savings available to individuals
- 1.4 Understand the relevance, and impact, of sponsor covenants
- What is meant by sponsor covenant
  - When/how it may be measured
  - Integration of sponsor covenant with funding and investment

## 2 Regulatory, legislative and taxation environment [15%]

Explore how regulation, legislation, and taxation impact on the design, attractiveness, maintenance and affordability of benefit arrangements.

- 2.1 Understand the impact of relevant legislation on the provision of and non-state benefits in terms of the following objectives
- encouraging appropriate non-State provision
  - ensuring security for non-State provision
- 2.2 Identify the impact of the environment in which benefits are provided on stakeholders
- Benefits policy
  - Regulation
  - Tax and national insurance regime
  - Accounting standards
  - Actuarial Standards in relation to actuaries practicing or giving advice in relation to pension arrangements
- 2.3 Identify and compare regulatory, legislative and taxation environments between different jurisdictions

## 3 Design and financing of benefit arrangements [20%]

In depth theoretical factors, and practical implications to consider when designing and financing pensions and other benefit arrangements.

3.1 Understand the different ways in which providers are able to finance the benefits to be provided, including:

- Timing of contributions (relative to when the benefits are due to be paid)
- Forms and characteristics of investment that are available
- Financial instruments and contingent funding arrangements that may be used to back benefit promises
- Insurance products including annuity and protection policies

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)
- Governance requirements
- Level and form of benefits and/or contributions
- Method of financing the benefits
- How risk is shared between parties
- 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%]**

Understand how benefit arrangements are managed in relation to financing, placing values on assets, benefits and contributions, monitoring experience, reporting requirements, and managing significant events, and the impacts on stakeholders.

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

- Interests and responsibilities of the parties involved
- 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 funding method, together with suitable financial and demographic assumptions, that can be used to value benefits and contributions in specific scenarios

4.3 Determine values for assets, past and future benefits and future contributions and perform calculations to demonstrate an understanding of the main methods used

- Data requirements
- Reasons why assumptions and methods used may differ in different circumstances
- Extent to which values should reflect investment/risk management strategy
- Valuing guarantees and options
- Sensitivity analysis and reasonableness checking

4.4 Understand the factors that need to be considered, and produce relevant financial and non-financial information to meet accounting standards

- Pension Scheme or Benefit Objectives
- Disclosure requirements, including those for directors' remuneration
- Calculations of cost of benefit provision

4.5 Discuss the issues concerning surplus/deficit including:

- Identifying the sources
- 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:

- Data required
- Methods used
- Quantification of key items of experience
- Use of the results to help identify issues and develop solutions

## 5 General business and risk management [20%]

Understand the detail behind potential risks affecting benefit arrangements, as well as how these are managed and reported.

5.1 Understand the main risks, and propose appropriate risk mitigation strategies in respect of:

- 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

including risks which can, and cannot be mitigated through the use of insurance products

5.2 Analyse the existing investment strategy, or propose an appropriate investment strategy for 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 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

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

- Rights and expectations of beneficiaries
- Availability and selection of a method of provision of discontinuance benefits
- Level of available assets

## Assessment

The assessment of this subject will consist of one examination.

Candidates can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers. The duration of this examination is three hours and twenty minutes and is timed and online. This time includes reading time.

Candidates will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- Analysis of 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.

#### Topic weighting

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used in the provision of benefits in various jurisdictions. The examination can be composed of questions drawing from any part of the syllabus within any examination sitting and using any command verb. This includes knowledge, techniques, principles, theories, and concepts as specified. Candidates should not rely on past papers alone and should ensure they have covered the entire syllabus as part of their learning and development of this subject. A list of command verbs used in the examinations is included on the IFoA website.

In each examination, candidates will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess your understanding of that knowledge as well as through questions that ask you to apply relevant knowledge to scenarios.
- Application will be demonstrated through answering questions which assess that you can identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical)
- Higher order skills will be demonstrated through questions that will assess that you can use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

As a guide, in the examination of this subject, you can expect that approximately 15% of the total number of marks for this examination be allocated to the demonstration of knowledge, 55% to application and 30% to higher order.

#### Qualifications Handbook, Examinations Handbook and Assessment Regulations

Please ensure you read and have understood the Examinations Handbook and Assessment Regulations ahead of your exam as well as the Qualifications Handbook. These are all available on the IFoA website.

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