



Defined Benefit Arrangements

Assignment 4

(Part 4 – Scheme Funding and Investment Strategy)

Recommended Time: 3 hours

1. The Projected Unit Method is more appropriate for performing valuations of schemes which are open to new members. Demonstrate your understanding of this by comparing the following features of the Projected Unit Method with those of the Attained Age Method:
 - The Standard Contribution Rate
 - The Modified Contribution Rate

20 marks

2. You are the actuary for a scheme. A newly appointed trustee has asked you to explain the relevance of the Statutory Funding Objective (SFO) to the valuation of the scheme. Write a letter to respond to the trustee's question and outline the responsibilities of trustees in relation to the SFO.

20 marks

3. Colourboxx Holdings Limited has informed the trustees of the Colourboxx Final Salary Plan that it has agreed to sell a subsidiary company which employs members of the Plan. The members will be transferred to a scheme run by the new owner. You are the consultant for the scheme and a trustee has asked you to call him to explain how the transfer values for the transferring active members might be calculated.

Prepare some notes before making the call.
20 marks

4. Write short notes on the treatment of incoming transfer values.

5 marks

5. You are the consultant to a DB scheme. A member of the investment committee has asked you to summarise the key factors affecting investment strategy decisions

10 marks

6. You are the consultant to a DB scheme. A member of the investment committee has asked you to summarise how liability driven investment could be used to meet the pension scheme's liabilities.

10 marks

7. Describe, including examples, the two major asset allocation techniques that can be used to drive investment returns.

15 marks