



## Defined Benefit Arrangements

Monday 7<sup>th</sup> October 2019 9.30am – 12.30am

Centre Name	<input type="text"/>
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This contains several short answer questions. Attempt **ALL** questions in the green answer booklet **in pen** for the paper-based version of this exam or follow the instructions on screen for the online version.

The total marks for this paper are 100.

**THIS EXAMINATION PAPER REMAINS THE PROPERTY OF THE PENSIONS MANAGEMENT INSTITUTE AND MUST BE HANDED TO THE INVIGILATOR AT THE END OF THE EXAMINATION.**

Three hours are allowed for this paper. Answer all parts of all questions. In a multi-part question when the marks are not equally divided a guide to the available marks for each part is shown. A small number of marks may be awarded for appropriate and relevant communication and formatting.

The total marks for this examination are 100.

Please make sure that you answer these questions in the green answer booklet in pen.

**OCTOBER 2019**

1. Describe the options available to members who leave with less than two years qualifying service. (15 marks)
2. XYZ Company are introducing a salary sacrifice arrangement to staff. To allow the managers to roll this out to their teams, draft a brief memo explaining how salary sacrifice works in principle and the main advantages to setting up such an arrangement. (10 marks)
3. Members do not have to take their benefits at Normal Pension Age (NPA). Outline:
  - how actuarial factors may determine how benefits are valued before NPA? (11 marks)  
and
  - what information you would expect to be detailed in the scheme rules regarding these factors? (4 marks)
4. List the financial statements contained within Company accounts and how DB pension schemes are accounted for in these financial statements (10 marks)
  - Briefly outline the UK accounting standards (5 marks)  
and
  - International and US accounting standards (5 marks)
5. Outline the role of the Financial Assistance Scheme. (10 marks)
6. You are the Pensions Manager at Colourboxx and the new HR Manager has asked about the different funding methods used in actuarial valuations. Write a report to the Manager to explain the methods used (20 marks)  
  
You may wish to define some standard terms to use.
7. When a bulk transfer is required, there are various approaches that can be used to calculate the transfer payment in respect of each member.  
  
Outline the main features of each approach. (10 marks)