Defined Benefit Arrangements

Assignment 3

*(Part 4 – Scheme Funding and Investment Strategy)*

*Recommended Time: 3 hours*

1. **Outline a member’s statutory rights to a Cash Equivalent Transfer Value (CETV) and briefly explain the basis of the CETV calculation.**

**20 marks**

1. **You are the Scheme Actuary. Prepare a short paper outlining to the Trustees the content of a Scheme Funding Report.**

**10 marks**

1. **You are the Sponsoring Employer’s pensions adviser. The Company is currently in discussion with the scheme trustees to agree a de-risking strategy for the scheme. Prepare a report for the Employer covering:**
* **A typical de-risking strategy**
* **A brief outline of 3 solutions used to mitigate or remove investment risk**
* **The factors which should be considered when deciding the level of risk to be taken**

**25 marks**

1. **You are the Chair of a Trustee Board. A new trustee has emailed you asking you to briefly explain what is meant by Benefit Outgo and Contribution Income. Prepare a response which briefly explains what is meant by these terms.**

 **5 marks**

1. **You are preparing a training session for PMI students on the accounting standards applicable to companies with DB pension liabilities. Write notes on the various accounting standards that are used by companies when providing the financial impact of the pension scheme in their company accounts.**

**10 marks**

1. **Explain the key features of the following:**
2. **Statement of Funding Principles**
3. **Recovery Plan**
4. **Schedule of Contributions**

**15 marks**

1. **Describe why a scheme’s funding level is a key factor to consider when choosing an investment strategy.**

**15 marks**