Core Unit 4 - Financing and Investing for Retirement Provision

Assignment 3

*(Part 3 – Defined Benefit Finance and Investment and Part 4 – Defined Contribution Finance and Investment)*

*Recommended Time: 1 hour*

1. Explain the features of a buy-in and a buy-out, and how both of these impact various risks to which a pension scheme may be exposed.

**15 marks**

1. List some of the key advantages and disadvantages of:
2. Using DC benefits to purchase an annuity annuity at retirement
3. Drawing down DC benefits at retirement

**10 marks**

1. The goal of all DB pension schemes is to achieve self-sufficiency, known as the Long Term Objective (LTO). Briefly outline the following:
2. The three main options available to trustees when deciding how a scheme can achieve its LTO
3. The level of investment risk that would apply to the LTO

**10 marks**

1. List 5 options available to DC members age 55 or over under the Pension Freedoms.

**5 marks**

1. Briefly outline the considerations when deciding a DC investment strategy, including how the type of scheme affects who decides the strategy and the main fund categories.

**10 marks**