

Subject SP4

Corrections to 2021 study material

0 Introduction

This document contains details of any errors and ambiguities that have been brought to our attention in the Subject SP4 study materials for the 2021 exams. We will incorporate these changes into the study material each year. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any such comments on this course please email them to SP4@bpp.com.

You may also find it useful to refer to the Subject SP4 threads on the ActEd Discussion Forum. (You can reach the Forums by clicking on the 'Discussion Forums' button at the top of the ActEd homepage, or by going to www.acted.co.uk/forums/.)

This document was last updated on **24 March 2022**.

1 Assignments

Assignment X6 Solutions

Solution 6.3

(added on 30 June 2021)

In part (i), 'transfer to a non-insurance consolidator' should be added to the list of options for the provision of outstanding benefit payments, and the 'Total 3' at the end of the solution changed to 'Maximum 3'. So the solution now reads:

1. continue as a closed scheme
2. transfer the liabilities to another pension scheme of the same employer
3. transfer directly to the beneficiary
4. transfer to a personal pension or new employer's scheme to invest
5. transfer the liabilities to an insurer to guarantee the benefits by purchasing deferred or immediate annuities
6. transfer to a non-insurance consolidator
7. transfer to a central discontinuance fund.

[½ mark for each option, maximum 3]

In part (ii), 'Option 6 – transfer to a central discontinuance fund' should be renumbered to be Option 7 and 'Option 5 – transfer to an insurer ...' should now read:

Options 5 and 6 – transfer to an insurer or a non-insurance consolidator

The assumptions are influenced significantly by the terms offered by the insurer / consolidator ... [½]

... and are likely to be more prudent than those used for the ongoing funding valuation ... [½]

... as the terms will contain profit, expense and contingency margins ... [½]

... and also allow for reinvestment and longevity risk. [½]

The cost of transferring the benefits to a consolidator may be lower than the cost of purchasing annuities with an insurer ... [½]

... and this may be reflected in the assumptions used for a discontinuance valuation. [½]

2 Mini-ASET

Question 6, part (ii)

(added on 24 March 2022)

In the data table in the question, information about total pensions in respect of leavers is missing and the figure for total pensions in payment in respect of current pensioners is incorrect. So, between the 'Accrual rate:' and 'Average age of active members:' lines, the table should read:

Total pensions in respect of leavers at the valuation date: £10m pa

Total pensions in payment in respect of current pensioners at the valuation date: £15m pa