



Institute
and Faculty
of Actuaries

Fellowship Qualification

Pensions and other Benefits (SP4) Specialist Principles

Syllabus for the 2025 Examinations

March 2024

Pensions and other Benefits (SP4)

Syllabus for the 2025 Examinations

This syllabus includes information to support the study of this subject. It will guide you through what you need to learn, application of learning as well as the skills that you need to develop. Information regarding the assessment of this subject is also included.

This syllabus includes:

- Aim of the subject
- How this subject links across the Qualifications
- Subject topics and topic weightings
- Subject objectives
- Assessment information

Aim

Understand the main principles that are relevant to the provision of pensions and other benefits, including the design and financing of benefit arrangements, the methods of valuation, and the management and monitoring of risks that are relevant to benefit arrangements.

Links across the Qualification

Associateship Qualification

Fundamental principles of actuarial mathematics from CM1 are used in the quantitative aspects of financing and valuing benefit arrangements in SP4.

Understanding the nature of risks and how to manage these risks is vital for pension and other benefit arrangements. Actuarial Practice (CP1) provides a fundamental background to different types of risk from an actuarial perspective and how these risks can be managed.

Fellowship Qualification

There are two subjects covering pensions and other benefits, Pensions and other Benefits Specialist Principles (SP4) and Pensions and other Benefits Specialist Advanced (SA4). Each subject develops a specific set of skills and knowledge needed by actuaries working in, or who wish to work in pensions.

Pensions and Other Benefits Specialist Advanced (SA4) subject, further develops the principles from SP4, providing a more in-depth understanding of pensions and other benefits to enable actuaries to work in more complex scenarios.

Topics and topic weightings

This subject covers the following topics:

1. Pension provision and general business environment [20%]
2. Scheme design and financing [20%]
3. Managing schemes and risks [20%]
4. Models, valuations and setting assumptions [30%]
5. Monitoring experience and the Actuarial Control Cycle [10%]

Objectives

1 Pension provision and the general business environment [20%]

Develop an understanding of the concept of benefit provision, the key stakeholders involved, their roles and responsibilities, and the environment in which the benefits are provided.

1.1 Understand the roles and responsibilities of stakeholders in the provision of benefits

- State and statutory bodies.
- Employers or groups of employers.
- Trustees or scheme managers.
- Financial advisers for individuals.
- Consultants and other professional advisers
- Individuals or groups of individuals.

1.2 Understand and compare the provision of benefits from State, public and private sector employers, and individuals

1.3 Identify the impact of the environment in which benefits are provided on stakeholders

- Different presentation and reporting of benefits and contributions.
- Regulation and taxation.
- Relevant professional guidance for actuaries or other professional advisers.

1.4 Understand the relevance, and impact, of sponsor covenants

- Methods by which sponsor covenant can be measured.
- Integration of sponsor covenant with funding and investment.

2 Scheme design and financing [20%]

Explore the factors to consider when designing and financing pension and other benefit arrangements.

2.1 Understand the different ways in which providers may be able to finance the benefits to be provided

- Timing of contributions (relative to when the benefits are due to be paid)
- Forms and characteristics of investment that may be available (if benefits are funded)
- Financial instruments, including contingent assets, that may be used to back benefit promises
- Insurance products, including protection and annuity policies

2.2 Understand the factors to consider to determine a suitable design for a pension scheme, or other benefits (such as social security benefits)

- Type of pension scheme (e.g. defined benefit, defined contribution, risk-sharing)
- Governance requirements
- Level and form of benefits and/or contributions
- Method of financing the benefits
- How risk is shared between parties
- Choice of assets (when benefits are to be funded and when assets are to be invested)

3 Managing schemes and risks [20%]

Understand potential risks affecting key aspects of benefit design and financing, as well as how these are managed and reported.

3.1 Understand the risks affecting:

- the level and incidence of benefits
- the level and incidence of contributions
- the level and incidence of return on assets.

- the extent to which assets are exhausted during a member's lifetime.
- the overall security of benefits

including risks which can, and cannot be mitigated through the use of insurance products

3.2 Understand the factors to consider when providing information to meet accounting standards

- Purpose of accounting standards
- Disclosure requirements
- Calculations of cost of benefit provision

3.3 Identify the main factors to consider when setting appropriate terms and consent requirements in respect of the options provided to member of benefit arrangements, taking into account the risk and reward for all stakeholders

3.4 Identify the factors to consider when setting the investment strategy of a benefit provider and how projection models may be used to develop appropriate strategies

4 Models, valuations and setting assumptions [30%]

Principles of using actuarial models and setting assumptions, their use in valuing benefits and contributions, and the impacts on stakeholders.

4.1 Use relevant actuarial models for decision-making purposes

- Objectives of and requirements for building a model for the financial management of the provision of benefits
- Basic features of a model for projecting income and outgo
- Use these models for setting contributions, targeting benefit levels and assessing the return on assets
- How sensitivity analysis of the results of the models can be used

4.2 Use the principles underlying the determination of the funding method, valuation method and assumptions to value benefits and contributions

- Types of information that may be available to help determine the assumptions and methods
- Requirements for prudence
- Objectives of stakeholders

4.3 Determine values for assets, past and future benefits and future contribution requirements and perform calculations using the main methods

- Data requirements
- Reasons why assumptions and methods used may differ
- Extent to which values should reflect investment/risk management strategy
- How to place values on guarantees and options
- Sensitivity analysis and reasonableness checking

4.4 Use relevant principles to determine discontinuance terms for benefits

- Rights and expectations of beneficiaries
- Availability and selection of a method of provision of discontinuance benefits
- Level of available assets

5 Monitoring experience and the Actuarial Control Cycle [10%]

Explore how experience can be monitored and analysed in a quantifiable manner.

5.1 Identify the sources of surplus/deficit for a benefit provider and the factors that affect the application of this surplus/deficit

Assessment

The assessment of this subject will consist of one examination.

Candidates can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers. The duration of this examination is three hours and twenty minutes and is timed and online. This time includes reading time.

Candidates will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- Analysis of complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
- Assess the implications and relevance of such factors, integrating the results into a coherent whole.
- Evaluate the results critically in a wider context, drawing appropriate conclusions.
- Propose solutions and actions, or a range of possible solutions and actions, based on this evaluation.

Topic weighting

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used in pensions and other benefits. The examination can be composed of questions drawing from any part of the syllabus within any examination sitting and using any command verb. This includes knowledge, techniques, principles, theories, and concepts as specified. Candidates should not rely on past papers alone and should ensure they have covered the entire syllabus as part of their learning and development of this subject. A list of command verbs used in the examinations is included on the IFoA website.

In each examination, candidates will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess your understanding of that knowledge as well as through questions that ask you to apply relevant knowledge to scenarios.
- Application will be demonstrated through answering questions which assess that you can identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess that you can use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

As a guide, in the examination of this subject, you can expect that approximately 25% of the total number of marks for this examination be allocated to the demonstration of knowledge, 50% to application and 25% to higher order.

Qualifications Handbook, Examinations Handbook and Assessment Regulations

Please ensure you read and have understood the Examinations Handbook and Assessment Regulations ahead of your exam as well as the Qualifications Handbook. These are all available on the IFoA website.

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