INSTRUCTIONS TO CANDIDATES

General Instructions

1. This afternoon session consists of 6 questions numbered 8 through 13 for a total of 40 points. The points for each question are indicated at the beginning of the question. There are no questions in the afternoon session that pertain to the case study.

2. Failure to stop writing after time is called will result in the disqualification of your answers or further disciplinary action.

3. While every attempt is made to avoid defective questions, sometimes they do occur. If you believe a question is defective, the supervisor or proctor cannot give you any guidance beyond the instructions on the exam booklet.

Written-Answer Instructions

1. Write your candidate number at the top of each sheet. Your name must not appear.

2. Write on only one side of a sheet. Start each question on a fresh sheet. On each sheet, write the number of the question that you are answering. Do not answer more than one question on a single sheet.

3. The answer should be confined to the question as set.

4. When you are asked to calculate, show all your work including any applicable formulas.

5. When you finish, insert all your written-answer sheets into the Essay Answer Envelope. Be sure to hand in all your answer sheets because they cannot be accepted later. Seal the envelope and write your candidate number in the space provided on the outside of the envelope. Check the appropriate box to indicate morning or afternoon session for Exam RETDAC.

6. Be sure your written-answer envelope is signed because if it is not, your examination will not be graded.

Tournez le cahier d’examen pour la version française.
8. (4 points)

(a) (1 point) Describe four potential reasons that plan sponsors request projection valuations.

(b) (3 points) Describe how the demographic assumptions may be different between a projection valuation and an accounting valuation.

9. (8 points)

(a) (4 points) Describe the advantages and disadvantages of two methods of providing a cost of living adjustment (COLA) in a defined benefit pension plan from the perspectives of both the plan sponsor and the plan participants.

XYZ Company provided an ad hoc COLA to retirees in its defined benefit pension plan on January 1, 2014 and January 1, 2015. Management is considering providing a COLA on January 1, 2016.

(b) (4 points) Describe the potential accounting treatment for the COLA under international accounting standard IAS 19, Rev. 2011.

10. (6 points) Compare and contrast public sector pension plans and private sector pension plans taking into consideration:

- plan design;
- accounting and funding; and
- plan governance.
11. (8 points) The following certification for an accounting valuation was drafted by an actuary who recently left your company:

“I have prepared an accounting valuation of the XYZ Pension Plan (Plan) as of January 1, 2015 for the plan year ending December 31, 2014.

Except where specifically stated in this report, all costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current laws and regulations, and the provisions of applicable financial accounting standards. In my opinion, except where specifically stated in this report, each assumption is reasonable, taking into account the experience of the Plan and reasonable expectations, and which, in combination, represent my best estimate of the anticipated experience under the Plan.

I am a Fellow of the Canadian Institute of Actuaries. I am qualified to issue this Statement of Actuarial Opinion and am identified as the responsible actuary for this report. I am not aware of any conflicts of interest which would impact the objectiveness of my work.”

(a) (4 points) You have been asked to sign the certification.

Critique the certification taking into consideration applicable professional standards.

(b) (4 points) Assume you have addressed any issues identified in part (a) and have signed the certification. You subsequently find an error in the accounting valuation after the report has been released to the client.

Describe the potential actions you should take in accordance with applicable professional standards.
12.  

(8 points) A plan sponsor is setting up a defined contribution pension plan in Canada.

(a)  

(3 points) Describe plan sponsor considerations in selecting plan member investment options in accordance with the Capital Accumulation Plan (CAP) Guidelines.

(b)  

(1 point) List the factors to consider when determining how often plan participants can make transfers among investment options.

(c)  

(1 point) Identify reasons a plan sponsor may limit the amount of plan participant directed transfers.

(d)  

(3 points) Describe the risks of not providing investment options to plan participants from both the plan sponsor’s and the plan participants’ perspectives.

13.  

(6 points) Compare and contrast the following types of plans:

- defined contribution pension plan;
- savings program with a group registered retirement savings plan and a deferred profit sharing plan; and
- stock purchase plan.

**END OF EXAMINATION**
Afternoon Session
USE THIS PAGE FOR YOUR SCRATCH WORK
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