

Retirement Benefits: Retirement Plan Investment and Risk Management Exam
Spring 2014

Important Exam Information:

Exam Date and Time A read-through time of 15 minutes will be given prior to the start of the exam.

Exam Registration Candidates may register online or with an application.

Order Study Notes Study notes are part of the required syllabus and are not available electronically but may be purchased through the online store.

Introductory Study Note The Introductory Study Note has a complete listing of all study notes as well as errata and other important information.

Case Study A copy of the case study will be provided with the examinations. Candidates will not be allowed to bring their copy of the case study into the examination room.

Past Exams Past Exams from 2000-present are available on SOA website.

Updates Candidates should be sure to check the Updates page on the exam home page periodically for additional corrections or notices.

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1.

Learning Objectives

The candidate will understand how to analyze the issues facing retirement plan sponsors regarding investment of fund assets and make recommendations.

Learning Outcomes

The Candidate will be able to:

- a) Assess the different types and combinations of investment vehicles for providing retirement benefits given the particulars of the stakeholders' financial circumstances, philosophy, industry, work force and benefit package.
- b) Distinguish the various strategies, approaches and techniques used to manage retirement fund assets
- c) Given a context, analyze a Statement of Investment Policy.
- d) Assess the potential effects of various investments and investment policies on all of the stakeholders, including tax implications.
- e) Describe the regulatory restrictions on retirement plan assets.
- f) Identify and assess the sources of investment risk applicable to retirement fund assets
- g) Solve for a measure of investment performance relevant to a given benchmark

Resources

- *Modern Investment Management*, Litterman, Ch. 2, 3, 17, 22, 23, 24, 27 (pp. 501-505 only) and Ch. 28 (pp. 516-520 only)
- *Fundamentals of Private Pensions*, McGill, 9th Edition, Ch. 26, 27, 28
- *Morneau Shepell Handbook of Canadian Pension and Benefit Plans*, 15th edition, Ch. 6
- RPIRM-100-13: Chapter 24 of *Retirement Plans: 401(k)s, IRAs and Other Deferred Compensation Approaches*, Allen, et. al., 10th Edition
- RPIRM-101-13: Dynamic Approach to Investment Policy for Corporate Pension Plans
- RPIRM-102-13: Equities in DB Plans – Is the Traditional 60/40 Mix a Dinosaur?
- RPIRM-103-13: Fiduciary Liability Issues for Selection of Investments
- RPIRM-104-13: Maginn and Tuttle, *Managing Investment Portfolios*, Third Edition Chapter 12 through Section 5 only
- RPIRM-105-13: 20 Questions Directors Should Ask About Their Role in Pension Governance
- RPIRM-106-13: The Place for Lifestyle Funds in a 401(K) Plan
- RPIRM-107-13: Reflections on the Efficient Market Hypotheses: 30 Years Later
- RPIRM-108-13: Introduction and Overview of Retirement Plan Investments

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2.

Learning Objectives

The candidate will recognize and appropriately reflect the role of plan investments in retirement plan design and valuation.

Learning Outcomes

The Candidate will be able to:

- a) Evaluate the interaction of plan investments with plan design, valuation, accounting and funding
- b) Evaluate the interaction and relationship between plan investments and valuation assumptions/methods
- c) Model the effect on setting investment strategy of factors including, cash flow requirements, various plan designs and various economic environments.
- d) Apply and evaluate strategies and techniques for asset/liability management.

Resources

- *Fundamentals of Private Pensions*, McGill, 9th Edition, Ch. 27
- RPIRM-101-13: Dynamic Approach to Investment Policy for Corporate Pension Plans
- RPIRM-109-13: Jim Moore Discusses Liability Driven Investment Strategies and Concepts
- RPIRM-110-13: Plan Sponsor Guide to Liability –Driven Investing
- RPIRM-111-13: Mind the Gap: Using Derivatives Overlays to Hedge Pension Duration
- RPIRM-112-13: Asset/Liability Modeling and Asset Allocation for Pension Plans
- RPIRM-113-13: How the Liability Benchmark is Developed and Used in Practice
- RPIRM-114-13: Top 10 Myths About Liability-Driven Investing
- RPIRM-115-13: *Pensions in the Public Sector*, Ch. 9
- RPIRM-116-13: Financial Economics and Actuarial Practice
- RPIRM-117-13: Financial Economics and Canadian Pension Valuation
- RPIRM-118-13: Reinventing Pension Actuarial Science, with discussion
- RPIRM-119-13: Accounting for Pension Buy-In Arrangements
- [Embedded Options and Pension Plans](#) pp.1-17
- [Full Circle, Purchasing Annuities in DB Plans](#)
- [Can Pensions Be Valued as Marketed Securities](#), Bader, Pension Section News, June, 2009

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3.

Learning Objectives

The candidate will understand how to evaluate the stakeholders' financial goals and risk management with respect to their plan.

Learning Outcomes

The Candidate will be able to:

- a) Compare the interests of plan sponsors, employees, shareholders, taxpayers and other stakeholders related to the financial management of a retirement plan.
- b) Describe how the retirement plan financial and design risks integrate with the sponsor's risk management strategy
- c) Analyze how the retirement plan integrates with the sponsor's overall financial position.
- d) Compare the financial economics perspective to the traditional perspective on funding and accounting for retirement plans.
- e) Provide advice and analysis to stakeholders regarding the economic assumptions used in the valuation of their retirement plans

Resources

- RPIRM-101-13: Dynamic Approach to Investment Policy for Corporate Pension Plans
- RPIRM-105-13: 20 Questions Directors Should Ask About Their Role in Pension Governance
- RPIRM-115-13: Pensions in the Public Sector, Ch. 9
- RPIRM-118-13: Reinventing Pension Actuarial Science, with discussion
- RPIRM-120-13: The Case Against Stock in Public Pension Plans
- RPIRM-121-13: The Case for Stock in Pension Funds
- RPIRM-122-13: Guaranteed Trouble: The Economic Effects of the Pension Benefit Guaranty Corporation
- RPIRM-123-13: Risk Management and Public Plan Retirement Systems - (appendix background only)
- RPIRM-124-13: Bader and Gold's Rebuttal to The Case for Stock in Pension Funds
- RPIRM-125-13: The Pension Bomb
- RPIRM-126-13: Funding Regulations and Risk Sharing, pp. 15-24
- RPIRM-127-13: Retirement Benefits, Economics and Accounting: Moral Hazard and Frail Benefit Designs
- RPIRM-128-13: The Impact of the Financial Crisis on Defined Benefit Plans and the Need for Counter-Cyclical Funding Regulations, excluding appendices
- RPIRM-129-13: Pension Actuary's Guide to Financial Economics and [Pension Arbitrage Example Worksheet](#)
- [Adequate Funding for a Pension Plan](#), Sze, Pension Forum
- ["Pension Funds: Company Manager's View"](#), Exlely & Mehta

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- [Pension Forum](#): April, 2005, entire issue
- [Can Pensions Be Valued as Marketed Securities](#), Bader, Pension Section News, June, 2009