

# Retirement Design and Pricing Exam Syllabus Spring 2012 U.S.

## **Important Exam Information:**

<a href="#">Exam Date and Time</a>	A 15 minute read-through time will be given prior to the start of the exam.
<a href="#">Exam Registration</a>	Candidates may register online or with an application.
<a href="#">Order Study Notes</a>	Study notes are part of the required syllabus and are not available electronically but may be purchased through the online store.
<a href="#">Introductory Study Note</a>	The Introductory Study Note has a complete listing of all study notes as well as errata and other important information.
<a href="#">Case Study - Update 07.28.11</a>	This case study will also be provided with the examination. Candidates will not be allowed to bring their copy of the case study into the examination room.
<a href="#">Past Exams</a>	Past Exams from 2000-present are available on SOA web site.
<a href="#">Updates</a>	Candidates should be sure to check the Updates page on the exam home page periodically for additional corrections or notices.

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Exam	Retirement DP
Instructional Objectives	
1. The candidate will be able to analyze different types of registered/qualified defined benefit and defined contribution plans, as well as retiree health plans.	
Learning Outcomes	
The candidate will be able to:	
<ul style="list-style-type: none"> <li>a) Describe the structure of the following plans: <ul style="list-style-type: none"> <li>▪ Fixed dollar and pay-related defined benefit plans</li> <li>▪ Hybrid plan designs such as, cash balance, pension equity, and floor offset plans, target benefit plans</li> <li>▪ Defined contribution plans including 401(k) plans and capital accumulation plans</li> <li>▪ Retiree Health Plans</li> </ul> </li> <li>b) Describe the process and apply the principles of conversions from one plan type to another</li> <li>c) Apply methods of the integration of government-provided benefits with retirement plan designs</li> <li>d) Given a plan type, explain the relevance and range of plan features including the following: <ul style="list-style-type: none"> <li>i) Plan eligibility requirements</li> <li>ii) Benefit eligibility requirements, accrual, vesting and phased retirement</li> <li>iii) Benefit / contribution formula</li> <li>iv) Payment options and associated adjustments to the amount of benefit</li> <li>v) Ancillary benefits</li> <li>vi) Benefit subsidies and their value, vested or non-vested</li> <li>vii) Participant investment options</li> <li>viii) Required and optional employee contributions</li> <li>ix) Phased retirement and DROP plans</li> </ul> </li> </ul>	
Syllabus Resources	
<ul style="list-style-type: none"> <li>○ Allen, et al., <i>Retirement Plans: 401(k)s, IRAs, and Other Deferred Compensation Approaches</i>, 10th Edition, 2008, Ch. 6 (pp. 91-92 and 102-107 only), Ch.7, Ch. 8 (pp. 125-128 only), Ch. 9 (pp.149-150 only), Ch. 10 (pp. 168-175), Ch. 17, Ch. 21</li> <li>○ McGill, et al., <i>Fundamentals of Private Pensions</i>, 9th Edition, 2010. Ch. 8, pp. 246-247, Ch. 11, Ch. 13,</li> <li>○ Yamamoto, <i>Fundamentals of Retiree Group Benefits</i>, 2006, Ch 4 (pp 57-68;pp 90-115 only), Ch. 5 (pp. 117-133 and 144-149)</li> <li>○ R-D100-11: Multi-Employer Plans</li> <li>○ R-D101-07: Converting Pension Plans From DB to DC pp. 1–5 only</li> </ul>	

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- R-D139-11: The Use of Health Savings Accounts for Health Care in Retirement, pp.1-6
- R-D801-07: Current Issues w/PERS,” 2005 EA meeting, session 202, pp. 17 -22 and 26-35 (exclude Q&A)
- R-D807-11: State and Local Government Pension Plans, Current Structure and Funded Status

Exam
Instructional Objectives
2. The candidate will be understand how the regulatory environment affects plan design and understand how to apply relevant restrictions.
Learning Outcomes
The candidate will be able to, for the designated region: <ul style="list-style-type: none"> <li>a) Explain and apply the regulatory limits placed on types of plans that can be offered</li> <li>b) Explain and apply restrictions on plan design features to a proposed plan design</li> <li>c) Explain and test for limits on plan designs and features that protect participant rights</li> <li>d) Test for plan design restrictions intended to control the use of tax incentives</li> <li>e) Calculate the limitations on payout options</li> <li>f) Explain and apply rules governing the conversion from one type of plan to another</li> </ul>
Syllabus Resources
<ul style="list-style-type: none"> <li>○ <i>Allen, et al., Retirement Plans: 401(k)s, IRAs, and Other Deferred Compensation Approaches, 10th Edition, 2008</i>, Ch. 6, pp. 92-100 (“Qualification Requirements”); pp 105-107 (“Tax Law Provisions”), Ch .7, pp. 115-121, Ch. 8, pp. 129-145, Ch. 9, pp. 150-165, Ch. 26, pp. 480-481 “Distribution Rules”, Ch. 27, pp. 509-514 , Ch. 31, pp 579-592 only</li> <li>○ <i>McGill, et al., Fundamentals of Private Pensions</i>, 9th Edition, 2010, Ch. 8, pp.255-263, Ch. 12, Ch. 13</li> <li>○ Turner , <i>Pension Policy: The Search for Better Solutions</i>, 2009, Ch. 5 pp. 93-94</li> <li>○ R-D100-11: Multi-Employer Plans</li> <li>○ R-D807-11: State and Local Government Pension Plans, Current Structure and Funded Status</li> </ul>

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Exam
Instructional Objectives
3. The candidate will be able to analyze plans designed for executives or the highly paid
Learning Outcomes
The candidate will be able to: a) Given a specific context, apply principles and features of executive deferred compensation retirement plans. b) Given a specific context, apply principles and features of supplemental retirement plans c) Integrate a plan for executives with the basic benefit plan
Syllabus Resources
<ul style="list-style-type: none"><li>o Allen, et al., <i>Retirement Plans: 401(k)s, IRAs, and Other Deferred Compensation Approaches</i>, 10th Edition, 2008, Ch. 10, pp. 175-178, and Ch. 14</li><li>o R-D103-07: Should Variable Pay Count Towards Benefits Calculations</li><li>o R-D804-09: Internal Revenue Code 409A and Non-Qualified Plan Design Considerations</li></ul>

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Exam
Instructional Objectives
4. The candidate will understand alternative plan types that occur internationally
Learning Outcomes
The candidate will be able to: a) Compare different plan types and features b) Give examples of the structure of different plan types c) Give examples of plans that could work for multinational companies and their employees including third country nationals and expatriates
Syllabus Resources
<ul style="list-style-type: none"><li>o Turner, <i>Pension Policy: The Search for Better Solutions</i>, 2009, Chapter 1, pp. 4-11</li><li>o R-D104-07: The Globalization of Employee Benefits</li><li>o R-D108-07: Pension Challenges and Pension Reforms in OECD Countries</li><li>o R-D136-10: The Trend to a Global TCN Benefits Program</li><li>o R-D140-11: Private Pensions: Alternative Approaches Could Address Retirement Risks Faced by Workers but Pose Trade-Offs , pp. 1-35</li><li>o R-D141-11: Sharing Risk: The Netherlands' New Approach to Pensions</li><li>o R-D142-11: How to Close the Funding Gap in Dutch Pension Plans? Impact on Generations</li></ul>

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5. The candidate will be able to apply/synthesize the various methods used to value a pension plan or retiree health plan for various purposes.
Learning Outcomes
<p>The candidate will be able to:</p> <p>a) Differentiate between the various purposes for valuing pension plans:</p> <ul style="list-style-type: none"> <li>i) Budgeting</li> <li>ii) Funding</li> <li>iii) Accounting</li> <li>iv) Solvency</li> <li>v) Termination/wind-up</li> <li>vi) Economic value</li> </ul> <p>b) Perform periodic valuations of ongoing plans, calculating normal cost and actuarial liability, using the variety of cost methods for budgeting, funding, accounting and measuring economic value.</p> <p>c) Analyze and communicate the pattern of cost recognition that arises under a variety of funding and asset valuation methods.</p> <p>d) Perform valuations for special purposes, including:</p> <ul style="list-style-type: none"> <li>i) Plan termination/windup</li> <li>ii) Solvency valuations</li> <li>iii) Open group valuations</li> </ul> <p>e) Assess the impact of using various cost methods in a given context.</p>
Syllabus Resources
<ul style="list-style-type: none"> <li>o Yamamoto, <i>Fundamentals of Retiree Group Benefits</i>, 2006 , Ch 9 pp 287-294</li> <li>o R-D109-07: Financial Economics and Canadian Pension Valuation, September 2006 paper by CIA Task Force on Financial Economics</li> <li>o R-D127-09: ASOP #6 Measuring Retiree Group Benefit Obligations</li> <li>o R-D143-11: The Funding of State and Local Pensions: 2009-2013</li> <li>o R-D808-11: ASOP 44, Selection and use of Asset Valuation Methods for Pension Valuations</li> <li>o 8/2001 Pension Forum, “Dynamic Pension Plan Valuation”, pp.71-82, <a href="http://www.soa.org/library/newsletters/pension-forum/2001/august/pfn0108.pdf">http://www.soa.org/library/newsletters/pension-forum/2001/august/pfn0108.pdf</a></li> </ul>

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Exam
Instructional Objectives
6. The candidate will be able to analyze/synthesize the factors that go into selection of actuarial assumptions.
Learning Outcomes
<p>Given a context and/or data, the candidate will be able to:</p> <ol style="list-style-type: none"> <li>a) Evaluate actual experience, including comparisons to assumptions</li> <li>b) Adjust current assumptions, given past experience and future expectations in trends</li> <li>c) Evaluate appropriateness of current assumptions given the purpose.</li> <li>d) Describe and explain the different perspectives on the selection of assumptions</li> <li>e) Describe and apply the building of economic assumptions</li> <li>f) Assess and explain the effect that the assumptions selected had on valuation results.</li> <li>g) Recommend appropriate assumptions for a particular type of valuation (e.g., ongoing, termination, etc.) and defend the selection.</li> <li>h) Select demographic and economic assumptions appropriate for a sensitivity analysis</li> <li>i) Select demographic and economic assumptions appropriate for a projection valuation designed for a given goal</li> </ol>
Syllabus Resources
<ul style="list-style-type: none"> <li>o Yamamoto, Fundamentals of Retiree Group Benefits, 2006, Ch 9 (pp 256-278 only)</li> <li>o R-D109-07: Financial Economics and Canadian Pension Valuation, CIA Task Force on Financial Economics</li> <li>o R-D112-10: Selection of Actuarial Assumptions,, Consultant Resource Manual, SOA Version, Mercer</li> <li>o R-D114-07: An Introduction to Duration for Pension Actuaries</li> <li>o R-D115-07: Reinventing Pension Actuarial Science</li> <li>o R-D117-07: Pension Projections</li> <li>o R-D125-11: ASOP #35 Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</li> <li>o R-D126-09: ASOP #27 Selection of Economic Assumptions for Measuring Pension Obligations</li> <li>o R-D127-09: ASOP #6 Measuring Retiree Group Benefit Obligations</li> <li>o R-D129-09: How the Liability Benchmark is Developed and Used in Practice</li> <li>o R-D137-10: Discounting State and local pension Liabilities</li> <li>o R-D138-10: Assessment and Selection of Actuarial Assumptions for Measuring Pension Obligations, Ch. 2 and 3 only</li> <li>o "A Practical Approach to Gains Analysis Revisited" by Andrew Smith, <i>Pension Section News</i>, Sept. 93, <a href="http://www.soa.org/library/newsletters/pension-section-news/1993/september/psn9309.pdf">http://www.soa.org/library/newsletters/pension-section-news/1993/september/psn9309.pdf</a></li> </ul>

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- “A Practical Approach to Gains Analysis” by Josiah Lynch – *TSA Vol 27* pp.423-439,  
<http://www.soa.org/library/research/transactions-of-society-of-actuaries/1975/january/tsa75v2717.pdf>
- Jan 05 Pension Forum – entire, <http://www.soa.org/library/newsletters/the-pension-forum/2005/january/pfn0501.pdf>
- 8/2001 Pension Forum, “A Look at Dynamic Pension Plan Valuation, pp. 71-82 <http://www.soa.org/library/newsletters/pension-forum/2001/august/pfn0108.pdf>
- SOA Long Term Healthcare Trends Resource Model, Practical Issues for Actuaries,  
<http://www.soa.org/files/pdf/research-soa-health-model.pdf>
- Modeling Long Term Healthcare Cost Trends, Getzen  
<http://www.soa.org/files/pdf/research-getzen-health-cost.pdf>
- CIA ED Note on Selection of Mortality Assumptions for Pension Plan Actuarial Valuations, March 2008  
<http://www.actuaries.ca/members/publications/2008/208014e.pdf>
- Measuring Terminable Postretirement Obligations  
<http://www.soa.org/library/journals/north-american-actuarial-journal/2005/january/naaj0501-7.pdf>



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Instructional Objectives
7. The candidate will be able to analyze data for quality and appropriateness.
Learning Outcomes
Given a context, the candidate will be able to: a) Assess data quality b) Identify data needed c) Make and/or recommend appropriate assumptions where data cannot be provided
Syllabus Resources
o R-D130-09: ASOP #23 – Data Quality

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Instructional Objectives
8. The candidate will be able to evaluate the actuarial considerations in plan options and administration.
Learning Outcomes
The candidate will be able to: a) Assess the gain/loss from options offered, including: <ul style="list-style-type: none"><li>▪ Phased retirement</li><li>▪ Postponed retirement</li><li>▪ Early retirement</li><li>▪ Option factors</li><li>▪ DROPs</li></ul> b) Assess the impact of applicable regulation
Syllabus Resources
<ul style="list-style-type: none"><li>○ R-D801-07: Current Issues w/PERS 2005 EA meeting, session 202, pp. 17-22 and 26-35 (exclude Q&amp;A)</li><li>○ R-D809-11: ASOP 34, Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions, pp. 1-16 only</li><li>○ Forman and Scahill, Issues for Implementing Phased Retirement in Defined Benefit Plans, <i>North American Actuarial Journal</i>, July 1, 2003. <a href="http://www.soa.org/library/journals/north-american-actuarial-journal/2003/july/naaj0307_6.pdf">http://www.soa.org/library/journals/north-american-actuarial-journal/2003/july/naaj0307_6.pdf</a></li></ul>

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Instructional Objectives
9. The candidate will be able to understand principles and rationale behind regulation.
Learning Outcomes
The candidate will be able to: a) Describe the principles and motivations behind tax policy b) Describe the principles and motivations behind legislated restrictions c) Describe sources and framework of government regulation
Syllabus Resources
o Turner, <i>Pension Policy: The Search for Better Solutions</i> , 2009, Ch. 5

Exam
Instructional Objectives
10. The candidate will be able to analyze the relationship of plan investments with plan design and valuations.
Learning Outcomes
In a given context, the candidate will be able to: a) Evaluate the interaction of plan investments and: ▪ Plan design, ▪ Plan funding, ▪ Valuation assumptions, and ▪ Valuation methods. b) Solve for a measure of investment performance relevant to a given benchmark c) Given a context, describe and compare the structure of appropriate investment vehicles
Syllabus Resources
o Allen, et al., <i>Retirement Plans: 401(k)s, IRAs, and Other Deferred Compensation Approaches</i> , 10th Edition, 2008, Ch. 24 o R-D120-07: Asset/Liability Modeling and Asset Allocation for Pension Plans (Wendt) o R-D123-07: Maginn and Tuttle, <i>Managing Investment Portfolios</i> , Third Edition Chapter 12 through Section 7 only o R-D124-11: Introduction and Overview of Retirement Plan Investments o R-D129-09: How the Liability Benchmark is Developed and used in Practice

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- R-D131-09: Plan Sponsor Guide to Liability-Driven Investment Strategies
- R-D132-09: Top 10 Myths About Liability-Driven Investing
- R-D133-09: Maginn and Tuttle, *Managing Investment Portfolios*, Third Edition, Chapter 8, Section 6 only

Exam
Instructional Objectives
11. The candidate will be able to apply standards of practice and the guides to professional conduct.
Learning Outcomes
In general or in a given context, the candidate will be able to: <ul style="list-style-type: none"> <li>a) Explain and apply the Guides to Professional Conduct</li> <li>b) Explain and apply the relevant qualification standards</li> <li>c) Demonstrate knowledge of requirements regarding the actuary's responsibilities to the participants, plan sponsors, etc.</li> <li>d) Explain and apply all of the applicable standards of practice related to valuing retirement obligations.</li> <li>e) Recognize situations and actions that violate or compromise Standards or the Guides to Professional Conduct.</li> <li>f) Recommend a course of action to repair a violation of the Standards or the Guides to Professional Conduct</li> </ul>
Syllabus Resources
<ul style="list-style-type: none"> <li>○ AAA Code of Professional Conduct <a href="http://www.actuary.org/pdf/prof/code_of_conduct.pdf">http://www.actuary.org/pdf/prof/code_of_conduct.pdf</a></li> <li>○ SOA Guides to Professional Conduct <a href="http://www.soa.org/about/membership/about-code-of-professional-conduct.aspx">http://www.soa.org/about/membership/about-code-of-professional-conduct.aspx</a></li> <li>○ AAA Qualification Standards <a href="http://www.actuary.org/pdf/prof/qualif_stnds.pdf">http://www.actuary.org/pdf/prof/qualif_stnds.pdf</a></li> <li>○ SOA Qualification Standards <a href="http://www.soa.org/about/membership/about-req-admission.aspx">http://www.soa.org/about/membership/about-req-admission.aspx</a></li> <li>○ R-D125-11: ASOP #35 Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</li> <li>○ R-D126-09: ASOP #27 Selection of Economic Assumptions for Measuring Pension Obligations</li> <li>○ R-D127-09: ASOP #6 Measuring Retiree Group Benefit Obligations</li> <li>○ R-D130-09: ASOP #23 Data Quality</li> <li>○ R-D134-09: ASOP #2 Recommendations for Actuarial Communicates Relating to Statements of Financial Accounting Standards Nos. 87 and 88</li> <li>○ R-D135-09: ASOP #4 Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</li> <li>○ R-D805-09: ASOP #41 Actuarial Communications</li> </ul>

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- R-D808-11: ASOP 44, Selection and Use of Asset Valuation Methods for Pension Valuations
- R-D809-11: ASOP 34, Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions