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NEXT PAGERetirement Benefits,Comprehensive Segment
CanadaMorning SessionSociety of Actuaries Course 8RC Fall
2003**BEGINNING OF EXAMINATION

8**COMPREHENSIVE SEGMENT CANADAMORNING

SESSIONAll Questions pertain to the Case Study1. (7 points) A
NOC executive with 30 years of service plans to retire one year from
now at age 62. It is important to NOC that the executive transitions to
retirement over the nextfour years.(a) Describe the benefit incentives
that can be offered to help retain this executive.(b) If you were hired
by this executive, provide your recommendation regarding
thenegotiation of benefits.(c) Explain how your answer to (a) would
be different if the executive had only eightyyears of service with
NOC.(d) Identify the additional considerations that would exist if,
instead of being hired bythe executive, you were hired by NOC to
provide advice to the executive.COURSE 8: Fall 2003 -2- GO TO

NEXT PAGERetirement Benefits,Comprehensive Segment
CanadaMorning SessionAll Questions pertain to the Case Study2.

(11 points) On June 30, 2003, NOC purchased a non-participating
annuity contract tocover the obligations of all the pensioners in the
Full-Time Hourly Union Pension Plan.You are
given:#61472.#8226.#61472.As of June 30, 2003, NOC has recorded
half of its 2003 pension expense andcontributed half of its 2003

contribution. #61472. #8226. #61472. Valuation results as of June 30, 2003, immediately before the annuity purchase: Using a 6.5% Discount Rate Using a 6.0% Discount Rate (All dollars in 000 's)

	6.5% Discount Rate	6.0% Discount Rate
ABO Active participants	\$377,000	\$400,000
Deferred vested participants	0	0
Pensioners	103,000	108,000
Total ABO	\$480,000	\$508,000
Service Cost	\$24,000	\$28,000
Market value of assets	\$320,000	\$320,000
Average remaining service period	11.5	11.5

(a) (5 points) Calculate the pension expense for the year 2003. Show all work. (b) (1 point) Describe the additional considerations if a participating annuity contract were purchased. (c) (3 points) Explain how your answer to (a) would differ under IAS 19 and the rationale for the different requirements. (d) (2 points) Describe the information NOC will have to provide the insurer for the purpose of obtaining a quote for the annuity contract.

COURSE 8: Fall 2003 -3- GO TO NEXT PAGE Retirement Benefits, Comprehensive Segment Canada Morning Session All Questions pertain to the Case Study 3. (6 points) NOC 's Board of Directors has established the following funding policy for NOC 's DB ERPs: annual contributions equal to normal cost plus five-year amortization of unfunded actuarial accrued liability. The CFO of NOC is concerned about the volatility of funding policy contributions. (a) Explain the effects of different asset valuation methods on this volatility. (b) Explain the effects of different asset class allocations on this volatility.

COURSE 8: Fall 2003 -4- GO TO NEXT PAGE Retirement Benefits, Comprehensive Segment Canada Morning Session All Questions pertain to the Case Study 4. (12 points) The law in Gevrey has been changed to permit

voluntary employee contributions of up to 5% of pay to a DC ERP. The tax treatment of these contributions is the same as for contributions to a PPA. NOC has decided to change the Full-Time Hourly Union Pension Plan from a flat dollar plan to a final average earnings plan, and to add a DC ERP for the union employees. The main provisions of the new plans are: DB ERP Normal retirement benefit: 1% of final five-year average earnings times years of service Post retirement indexing: 3% per year Optional form of benefit: Lump Sum The other provisions of the plan are the same as those in the NOC Full-Time Hourly Union Pension Plan. DC ERP Employee Contributions: Voluntary Matching Employer contributions: 100% match on the first 3% of employee contributions Form of Benefit: Lump sum or periodic pension

(a) Critique the design of the new plans from the perspective of NOC. (b) Critique the design of the new plans from the perspective of the hourly union employees. (c) Assess the current hourly plan asset allocation for the new DB plan. (d) Describe the considerations in setting investment options to be offered to participants in the DC ERP. (e) Predict the socio-economic effects of the change in the law in Gevrey.

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