ACTUARIAL SOCIETY OF SOUTH AFRICA

EXAMINATION

17 October 2025

Subject F204 – Retirement and Related Benefits Fellowship Applications

Examination writing time:	*Three hours and fifteen minutes (includes reading time)*
Upload time:	*Five minutes*

[Total time on examination countdown timer: Three hours and twenty minutes]

Total marks: *100*

INSTRUCTIONS TO THE CANDIDATE

Failure to adhere to any of these instructions could incur examination sanctions including disqualification from the examination.

1. *The question paper is only available on the ASSA Exam Platform as a PDF download and may not be printed. Copy/paste of questions or parts thereof is allowed from the question paper to your Word answer document only.*

2. *Download the Word answer document template from the ASSA Exam Platform. Save this Word answer document on your desktop using your **full Candidate Number**, which starts with "F204-exa-2025-…", as filename. **Do not name your answer script with your name or member number.***

3. *Ensure that your **full Candidate Number** appears in the "header" of your Word answer document. [Double-click on the header at the top of the Word document, input your Candidate Number only in the header, then press "Esc" to close the header.] **Do not use your name or member number anywhere in your Word answer document.***

4. *You are required to submit your answers in Word format ONLY using the answer document template from the ASSA Exam Platform. No answers in any other format (e.g. handwritten) will be accepted. Save work regularly.*

5. *You may not access any file from your computer, open or use any other computer software (e.g., Email or Excel), or open or use any other browser, collaboration tools or AI tools, including those embedded in MS Word and Adobe AI assistant (e.g. Copilot, ChatGPT etc.) during the examination. Embedded AI tools must be disabled. You may not use Grammarly, Grammarly Premium or similar built-in language and grammar tools which must also be disabled. Microsoft Word spellcheck is allowed.*

6. *You must save your answer template to your local machine's desktop and have 'Autosave' switched off (top-left button in Word). You must not save your answer template to OneDrive or any other cloud storage device.*

7. *You are not permitted to bring any other material into the examination (e.g. a Formulae and Tables book). Any such information/material that may be required will be provided to you in the examination.*

8. *You are strongly encouraged to use the first 15 minutes as reading time only, however, you may start answering the paper whenever you are ready.*

9. *Mark allocations are shown in brackets.*

10. *Attempt all questions, starting each on a new page (as provided for in the Word answer document).*

11. *Show calculations where appropriate. You may not use other materials except blank paper for calculations. You may use a calculator from the ASSA-approved list only.*

12. *Your examination countdown timer reflects your TOTAL examination time. Reading and writing time is 3 hours and 15 minutes. Audio prompts will remind you of the remaining writing time and when you should stop writing to start saving and uploading.* ***You may NOT continue to write during the 5 minutes upload time as this could lead to disqualification from the examination.***

13. *Upload one version of your Word answer document only onto the ASSA Exam Platform. Once you have uploaded your document, you must click on* ***Finish Attempt*** *to save your document. You will still be allowed to go back and check that you have uploaded the correct version of your answer script (****Review Attempt****) if you have time. Remember that you may not type answers in the last 5 minutes of upload time.*

14. *Once you are satisfied with your uploaded document, click* ***Finish Attempt*** *and* ***Finish all and Submit****. Candidates are responsible for the content they upload as their examination attempt, which must be presented in the format, size and location as communicated by ASSA. Once your answer file is submitted, it cannot be changed or retracted and must be done within the scheduled examination time.*

15. ***You must submit your Word answer document onto the ASSA Exam Platform BEFORE the time on your examination countdown timer runs out.***

Note: The Actuarial Society of South Africa will not be held responsible for loss of data where candidates have not followed instructions as set out above. The onus remains on you to read and implement all examination instructions.

END OF INSTRUCTIONS

QUESTION 1

It's been five years since the implementation of the 2-pot retirement system on 1 September 2024 and the Board of Trustees of a large defined contribution industry umbrella fund which offers in-fund pensions is looking back on the impact this has had on the Fund and its members.

The Fund has recently issued its biannual member benefit statements which include detailed projection statements for each in-service member. The projection sets out the expected accumulated benefit in each of the 2-pot components, the likely pension that could be provided through the in-fund annuity as well as the associated net replacement ratio. The Board has noted that there are mixed reactions to the results shown in these statements with some complaints from certain groups of members who have complained about reductions in current and projected benefits.

The Trustees are concerned by these complaints and are also confused as to how the benefit statement projections could have changed. The fund's projection model shows that the expected net replacement ratio for a 25-year-old new entrant has remained unchanged and is above the fund's 75% target.

You have been asked to assist the Board to address the complaints.

i. Explain the points the Board could make to members in response to the complaints. Include an explanation of the main factors that could have resulted in the changes in the current benefits and projected benefits reported over the years.

[14]

A trustee has stated that he believes the introduction of the 2-pot legislation is entirely to blame and that the legislation is having a negative impact on retirement outcomes. He cannot see how the legislation is expected to benefit members in the long run.

ii. Discuss the points that you would make in your response.

[7]

The Board believes that many of these issues are as a result of lack of understanding by members and poor communication. In particular, they have noted that members do not understand what impacts their benefits. They believe that the fund's communication strategy could be improved to resolve many of these issues.

iii. Explain how the Board could develop a communication strategy for the fund, including regulatory requirements and the various mechanisms that would be used to deliver the strategy.

[10]

One of the Board members has asked your opinion on whether it still makes sense to offer in-fund annuities, in the context of the current 2-pot legislation.

iv. Draft your response to the Board member' question.

[5]

[Total 36]

REMEMBER TO SAVE

PLEASE TURN OVER

QUESTION 2

Kesla is a medium-sized employer in the financial services sector, which sponsors a defined contribution pension fund for all permanent staff. In terms of the rules of the fund, the normal retirement age for employees is 65 years of age. The default investment strategy for the fund is a lifestage model, and the company's employee benefits also include Group Life cover and Income Disability benefits.

Kesla was recently taken over by Obiwon. Obiwon has a normal retirement age of 60 years and wants to implement this for the Kesla employees as well. The head of Human Resources at Kesla has asked for your guidance.

i. Comment on the change in normal retirement age and explain the impact on Kesla and its employees.
[10]

ii. Comment on the practical matters Kesla and the Trustees need to take into account to implement this change.
[13]

The most recent benefit statement at 28 Feb 2025 for the Kesla Pension Fund was based on a net investment return of 10.0% per annum and annual salary increases, in line with inflation, at a rate of 6% per annum. Pensions at retirement for all members were assumed to be purchased at an annuity rate of 16.00, which targets for annual increases in line with inflation.

The Trustees want to understand the impact of the proposed change in retirement age on members' benefit statements. As an example, they want you to consider the benefit statement of a new member, aged 30, with a net contribution rate to retirement benefits of 14.0% of salary, and a projected lump sum at retirement at age 65 of R2 400 000 in current salary terms. The member's current annual pensionable salary is R200 000.

iii. Estimate the impact of the change in retirement age to age 60 on the projected retirement pension of this member. State any assumptions you make.
[8]

iv. Comment on the revised contribution rate to retirement required to target a net replacement ratio of 75% of salary under the new normal retirement age.
[4]

[Total 35]

REMEMBER TO SAVE

PLEASE TURN OVER

QUESTION 3

You are the actuary advising IT Inc on the design of its employee benefit offering. IT Inc is a recently established South African company specialising in AI. The company is expected to grow rapidly, with a similarly rapid increase in the number of staff it employs.

IT Inc Human Resources has proposed the following two high level benefit structures to potentially offer to staff.

	Benefit Structure A	**Benefit Structure B**
Death benefits	Lump sum of 2 x pensionable salary	Lump sum of 6 x pensionable salary
	Spouse's pension of 40% of pensionable salary	None
	Child's pension of 10% of pensionable salary, up to a maximum of 4 children	None
Disability benefit	Lump sum disability benefit of 2x pensionable salary	Income replacement benefit of 75% of pensionable salary
Funeral benefit	R 30 000 – benefit provided in respect of the main member and spouse	R 30 000 – benefit provided in respect of the main member and spouse

IT Inc does not want to carry any risk associated with the provision of benefits and, as such, intends to obtain insurance for the benefits detailed in the table. The company has agreed to contribute a total of 17% of pensionable salary towards employee benefits, from which the insurance premiums in respect of the above benefits and all administration costs will be deducted, with the balance being allocated to retirement savings. For simplicity, insurance premiums and administration expenses will be converted to single percentages of pensionable salary respectively, and all members will pay the same percentage in respect of these costs. Staff members will contribute 7% of pensionable salary towards retirement benefits.

i. Outline the legislative (including taxation) environment under which IT Inc's proposed retirement, death, disability and funeral benefits would be established.

[8]

ii. Compare the death and disability benefits of the two proposed benefit structures including the appropriateness for IT Inc.

[14]

As part of its growth strategy, IT Inc is considering opening various offices across the African continent in the next few years. The company has asked you if it would be able to offer the same benefit structure across all offices.

iii. Draft the points you would make in response to the company's question.

[7]

[Total 29]

[Grand Total 100]

REMEMBER TO SAVE

END OF EXAMINATION

