

# Course 6B Global Retirement Income Systems Syllabus

## Unit 1: Introduction and Background

### Performance Outcome 1:

Propose and explain the forces driving the shift from managing group risks (DB) to individual risks (DC) and the implications of this shift

#### *Learning Objectives*

- 1.1 Construct an explanation of reasons behind the shift from managing group risks (DB) to individual risks (DC)
- 1.2 Describe the major differences between DB and DC schemes and deduce the risks to various stakeholders
- 1.3 Explain the sharing of risk between government, employers and the individual under different scenarios
- 1.4 Explain the impact and consequences of individual choice on the adequacy and efficiency of retirement savings

### Performance Outcome 2:

Explain the principles, processes and frameworks that underlie the provision of Financial Planning to manage risk for individuals

#### *Learning Objectives*

- 2.1 Explain the role and responsibilities of a financial planner, including the breadth of areas covered
- 2.2 Interpret the financial planning process used to ensure that the advice provided is relevant and practical for the client's objectives and circumstances, including collecting appropriate information
- 2.3 Describe the types of advice that fund members and retirees may need and interpret how such needs can be met within the overall retirement system

## Unit 2: Environment and Context

### Performance Outcome 3:

Perform risk analysis to appropriately design retirement income products

#### *Learning Objectives*

- 3.1 Identify the various risks relating to retirement incomes and explain how they impact on retirement income product design
- 3.2 Describe the different types of retirement income products that currently exist in the market and how interpret how they address the different risks of various stakeholders

- 3.3 Explain the processes involved in developing new products from initial research through to product development, testing and go-to-market strategies

#### **Performance Outcome 4:**

**Explain how government policy impacts upon retirement product design**

##### ***Learning Objectives***

- 4.1 Identify the major areas in which applicable regulations should be anticipated in respect of retirement income products and explain the implications for product design
- 4.2 Outline, in broad terms, the taxation treatment of the various retirement income products from the provider's and consumer's perspective and interpret how it impacts upon product design
- 4.3 Identify the role of actuaries, including their statutory roles, in the provision of retirement income products and be able to apply this knowledge
- 4.4 Identify how actuaries should interact with other independent professionals and apply this understanding

### **Unit 3: Governance**

#### **Performance Outcome 5:**

**Manage risk in pension plans, particularly with regard to longevity risk, investment risk, expense risk, unit pricing/crediting rate risk and other operational risks**

##### ***Learning Objectives***

- 5.1 Analyse the major risks associated with managing a pension plan and discuss the consequences and deduce how each may impact on the various stakeholders
- 5.2 Discuss the consequences of money laundering, fraud and other external risks and propose strategies for their management
- 5.3 Explain the role of the regulator and the trustee in the overall risk management program, including APRA licensing and monitoring
- 5.4 Explain alternative ways of monitoring and managing pre-identified risks

#### **Performance Outcome 6:**

**Describe and interpret the role of actuaries in the retirement income field in relation to other professionals**

##### ***Learning Objectives***

- 6.1 Describe the role of actuaries and other consultants in helping to manage the various risks associated with a superannuation scheme and be able to apply appropriate skills
- 6.2 Describe the relative merits of various professionals and interpret why actuaries are well positioned to advise on various superannuation matters
- 6.3 Describe the statutory role of actuaries in superannuation and interpret what they need to do to retain a competitive advantage in this area

## Unit 4: Professionalism

### Performance Outcome 7:

Formulate approaches to managing conflicts and communicating risks that appropriately address the professional, privacy and personal issues at stake

#### *Learning Objectives*

- 7.1 Delineate the various professional issues involved in providing advice to superannuation schemes, such as statutory obligations, the potential for conflicts of interest and the need for disclosure of various interests
- 7.2 Explain the impact of privacy and other legislation on the actuary's role and how they interact with other professionals
- 7.3 Explain why it is important to understand the individual needs of your client and its role in managing risk
- 7.4 Explain the importance of effective communication and deduce its role in managing risk and improving retirement outcomes

## Unit 5: Implementation

### Performance Outcome 8:

Analyse and explain critical factors relating to the management of a superannuation scheme

#### *Learning Objectives*

- 8.1 Examine and discuss the strategic issues associated with managing a superannuation scheme, including capital management and reserves for various contingencies
- 8.2 Interpret and discuss how superannuation and an employer's HR policies interact and subsequently impact on the scheme management
- 8.3 Identify any infrastructure and capacity constraints in various countries, such as regulatory capacity and professional advisers, and interpret their effect
- 8.4 Explain the interaction between superannuation and government policy

## Unit 6: Consumerism

### Performance Outcome 9:

Identify and explain the issues that face individuals when making financial decisions around retirement funding and the key factors that influence them

#### *Learning Objectives*

- 9.1 Identify various factors that influence whether or not individuals receive an adequate retirement benefit and interpret their potential consequences
- 9.2 Explain the different ways that risks are managed on group versus individual basis and how that impacts on retirement outcomes

- 9.3 Identify and analyse the key risks associated with tools that are designed to help individuals to make decisions that affect their retirement income (such as web based calculators)

**Performance Outcome 10:**

Identify how human factors relating to effective communication and behavioural science impact upon financial decision making and product design

***Learning Objectives***

- 10.1 Identify the issues associated with effectively communicating with individuals to improve their understanding of the risks and deduce how this influences their decision making
- 10.2 Explain the key findings of behavioural finance theory and formulate how it impacts on product design and default options

## **Unit 7: Develop Solutions**

**Performance Outcome 11:**

Formulate and implement DB to DC transfers and scheme amalgamations using appropriate modelling techniques

***Learning Objectives***

- 11.1 Discuss the context and propose key drivers behind most DB to DC transfers or scheme amalgamations
- 11.2 Propose and explain the key objectives, risks, issues and concerns of the various stakeholders when conducting DB to DC transfers and scheme amalgamations
- 11.3 Explain the techniques used to model and communicate a sample DB to DC offer and describe how the process works

**Performance Outcome 12:**

Explain the key issues, drivers and stakeholder concerns that a provider should consider when building web-based projection tools, including how to build such a tool and how to communicate to the end user

***Learning Objectives***

- 12.1 Explain the context and key drivers behind most DC projectors and other web based tools
- 12.2 Identify and explain the key objectives, issues and concerns of the various stakeholders when building web-based projection tools
- 12.3 Explain the techniques used to build a DC projector
- 12.4 Explain how to effectively communicate the key issues relating to web-based projection tools with the end user in order to improve their understanding

**Performance Outcome 13:**

Analyse and calculate the cost of employment related benefits

### ***Learning Objectives***

- 13.1 Interpret the roles played by employment related benefits in the operation of an enterprise
- 13.2 Explain the accounting requirements for assessing the cost of employment related benefits
- 13.3 Explain how to build an appropriate financial framework for assessing the cost of employment related benefits

## **Unit 8: Monitor the Experience**

### **Performance Outcome 14:**

**Explain how to effectively assess outcomes of retirement funds against specific choices**

### ***Learning Objectives***

- 14.1 Describe how to monitor the progress of a defined contribution scheme in order to manage pre-identified risks
- 14.2 Explain the potential impact of under insurance and other poor choices
- 14.3 List data that should be collected to monitor the experience of a retirement fund and describe how it should be interpreted
- 14.4 Explain how past experience should be used to adjust the policies of a scheme

### **Performance Outcome 15:**

**Assess the outcomes of performance against policy levers (for example, co-contributions, tax, fees and charges)**

### ***Learning Objectives***

- 15.1 Explain how to monitor individual outcomes and suggest how various policy levers can be adjusted
- 15.2 Discuss the issue of equity and delineate it from the issue of equality
- 15.3 Analyse the conflicts that could emerge when developing retirement incomes policy and deduce effective approaches to their management