

THE PENSIONS MANAGEMENT INSTITUTE

EXAMINERS REPORT

Module	International 2: Managing International Employee Benefits
Session	April 2017

Overall

The paper had 5 short-answer questions (with 5 or 10 marks each) and 3 longer-answer questions (with 20 marks each)

The overall quality of scripts was good; and the pass rate was relatively high.

Candidates that demonstrated depth of understanding and knowledge, including - for the longer-answer questions - appropriate examples; tailoring responses to the situation in the question; and a good structured response generally did well.

In order to pass the exam, candidates had to demonstrate enough expertise to be potentially awarded the Diploma in International Employee Benefits. There were a few candidates whose responses generally consisted of bullet points and repeating of information from the text. However some of these responses did not demonstrate sufficient depth of knowledge and understanding, and therefore not at the level expected for Diploma holders - these candidates did not pass.

Question Number: 1	
Describe the purpose of Social Security Agreements ("SSA") with respect to globally mobile employees, explaining the three principal SSA designs including an example. (5 marks)	
Comments	Most candidates scored 3-4 marks. Some candidates provided the names of the three designs (totalisation, reciprocal credit and contribution only) but gave incorrect or confused explanations. Not all candidates gave an example.
Syllabus Section	<i>Section 5 – issues relating to internationally mobile employees</i>
Manual Part	<i>Part 6, Chapter 1.5</i>
Page numbers	<i>Pages 79-80</i>

Question Number: 2	
State five reasons why a company would use an electronic database to capture information on employee benefits? (5 marks)	
Comments	This question was from Section 1 of the manual which has not featured in many exam questions in the past. It was well answered with many candidates scoring 4-5 marks. Full marks could have been achieved by stating reasons in the manual; but the examiners also gave marks for other good relevant reasons
Syllabus Section	<i>Section 1 – employee benefit objectives</i>
Manual Part	<i>Part 1 Chapter 1.4</i>
Page numbers	<i>3</i>

Question Number: 3	
Describe the financial and non-financial advantages of a captive approach for financing risk benefits (10 marks)	
Comments	This question was generally well answered with several candidates achieving 8 or more marks. As for the previous question, candidates also gave marks for advantages that did not feature in the list in the manual; but were good relevant reasons eg economies of scale from captive purchasing power, more flexible underwriting, use of company internal expertise
Syllabus Section	<i>Section 3 – Managing Risk Benefits</i>
Manual Part	<i>Part 4, Chapter 1.3.1</i>
Page numbers	<i>41-42</i>

Question Number: 4	
Distinguish between the key features of open and closed funds as they operate in Brazil. Your answer should include information on the regulatory environment they are covered by, the governance structure and the mode of operation. (10 marks)	
Comments	The examiners included this question to check candidates' understanding of the Brazil pensions market, which is very large with many large multinationals operating pension funds locally. . The question was generally well answered with several candidates scoring full marks. A few candidates scored very poorly in this question (especially compared to other questions) indicating that they were not so familiar with this part of the syllabus or lacked adequate country specific knowledge.
Syllabus Section	<i>Section 4 – Brazil</i>
Manual Part	<i>Part 5, Chapter 1.2.2,</i>
Page numbers	<i>p46</i>

Question Number: 5	
Describe at least four non-mandatory benefits typically provided by employers in India. Your answer should include examples of the typical benefit levels provided and make reference to any recent trends. (10 marks)	
Comments	As for the previous question, several candidates scored very well, and others did very poorly indicating potential lack of adequate country specific knowledge. Examiners were looking for descriptions on medical; life & accident; voluntary superannuation; accumulated time-off plans. Some candidates also wrote notes about the mandatory Employer Deposit-Linked Insurance, Workers Compensation and the roll-out of the National Pension Scheme on a voluntary basis – however, as these relate to mandatory benefits no marks were given
Syllabus Section	<i>Section 4 – India</i>
Manual Part	<i>Part 5, Chapter 3.3,</i>
Page numbers	<i>p63</i>

Question Number: 6

You are a global benefits consultant working with the new Chief Financial Officer ("CFO") of a multinational with defined benefit plans in many countries. Historically, pension plan funding decisions have been made by local business units. However, the new CFO is keen for funding decisions to be made at a central level.

Draft a report for the CFO setting out why the company should have a global pension funding policy. The report should also cover developments in pension funding and risk transfer options, including some country-specific examples.

(20 marks)

Comments

There was a wide range of responses to this question. Despite being asked for in the question, not all candidates provided country-specific examples or stated recent market developments, and these candidates missed out on potential marks. In order to show demonstration of knowledge and understanding, the examiners were looking for several examples from different countries – some candidates only mentioned examples from the UK (but not, say, other big defined benefit locations such as US, Netherlands or Germany).

Syllabus Section

Section 2: Funding and Risk Management

Manual Part

Part 3 Chapter 1.1, 1.2, 1.3.4, and 1.4.5

Page numbers

pp.18-21, 24-26,30-31

Question Number: 7

You are the newly appointed International Benefits Manager of a medium-sized multinational company. You are the first person to have this role in the company. Previously international benefits management was carried out by the Head of HR as part of his wider roles and responsibilities. However, due to the increased amount of time being spent in this area, you have been appointed in this new role.

The company does not have an International Benefits Policy, and you believe that the company should have formal policies in this area.

Draft a paper to the Head of HR setting out

- a) Why employee benefits need managing at a head office level
- b) What factors and local considerations should be considered in the development of an International Benefits Policy including examples

(20 marks)

Comments

For part (a), the examiners were looking for comments on the financial, compliance and reputational risks faced by companies in relation to benefits; and why these are difficult to manage (eg requires specific skills and knowledge). Examiners also gave marks for comments in relation to advantages of head office involvement (eg obtaining economies of scale, improving central oversight, meeting employee needs on a consistent basis globally)

For part (b), examiners were looking for descriptions of key reasons mentioned in the manual, eg strategic considerations, market positioning, culture/custom/practice. Candidates who provided examples and good descriptions scored more highly than those who just listed points.

Formatting awards were available for candidates who provided a response in

	the form of a paper –some candidates just provided lists of points, and missed out on formatting marks.
Syllabus Section	<i>Section 1: Employee Benefit Objectives</i>
Manual Part	<i>Part 2, Chapter 1, 1.1, 1.5 and 1.6</i>
Page numbers	<i>pp1 and 11-17</i>

Question Number: 8	
<p>You are an international pension & benefits consultant that has a long standing UK-based medium-sized client. The client is looking to expand by buying a smaller competitor, which is a subsidiary of a large multinational group. The competitor has operations in the UK, France, Netherlands and Germany.</p> <p>The seller has told your client that they provide typical pension and benefit programmes in each country. Your main contact at the client is considering recommending that the deal can proceed without undertaking further investigation on the pension and benefit programmes. You have arranged a meeting with the HR and Finance directors to discuss.</p> <p>Draft a presentation to set out the high level rationale for undertaking due diligence, explaining in detail how the transaction may impact on employee benefits.</p> <p>(20 marks)</p>	
Comments	<p>The question asked for responses in presentation format. Many candidates tried this, but ended up with a response that looked like a paper (eg long sections, lots of text). Conversely some candidates did produce a response that looked like a presentation (eg slide format with short concise points) – but some of these responses were too short and did not go into detail.</p> <p>Overall the examiners felt that candidates found it difficult to actual draft presentations despite the wide use of presentations in day-to-day business life. As a result many candidates missed out on formatting marks.</p> <p>The question related to the acquisition of the subsidiary of another company. As well as general M&A employee benefit points, the examiners were looking for candidates to provide specific comments on this type of transaction eg carving out of seller's plans; possible continuation in multi-employer plans (eg in Netherlands); impact on insurance risk premiums.</p>
Syllabus Section	<i>Section 6 – M&A</i>
Manual Part	<i>Part 7 – Chapter 1.2 & 1.3</i>
Page numbers	<i>pp. 94-102</i>