



Foundation in International Employee Benefits

Mock Exam Notes

Recommended Time: 1 Hour

1. Briefly explain the concept of integration of pension plan benefits with State provision.

5 marks

Answer should cover:

To ensure employer is not “over-providing” in relation to a lifestyle protection target when Social Security benefits are taken into account.

Various methods of integration include:

- A target total benefit promise at retirement inclusive of assumed Social security benefits
- Pensionable Salary is reduced from actual salary to take into account the part of income that will be “covered” by Social Security
- An approximate reduction in benefits amount payable to implicitly take into account benefits from Social Security A simple example could help to illustrate this concept.

2. Outline the main types of financing policy for defined benefit pension plans.

5 marks

Answer should include mention of funded and unfunded approaches.

3. Write brief notes describing the main types of risk benefits.

5 marks

Answer should include discussion of death benefits, disability benefits and medical benefits.

4. Write brief notes Identifying and commenting on the use of post-retirement medical benefits.

5 marks

Given the prevalence of these benefits in the USA an answer is likely to include comment on the use of these in the USA.

5. Write brief notes outlining the main types of share plans.

5 marks

The main types are Share Awards, Share Purchase Plans, Share Options. A full answer would include mention of the variations and country examples.

6. Outline the key objectives of a local pension plan actuary.

5 marks

Answer should cover:

- Ensuring financial sustainability
- Meeting local regulatory requirements
- Providing other advice and analysis

7. List the different types of medical benefits in the USA.

10 marks

Answer should cover:

Social Security medical benefits:

- Medicare for those aged 65 and over
- Medicaid for the poor

Majority of the population reliant on private healthcare provision covering:

- Outpatient services
- Hospitalisation
- Dental
- Vision
- Laboratory fees and X-rays
- Prescription drugs
- Preventative and acute care services

8. For medical benefits in the USA outline the financing issues associated with them.

10 marks

Answer should cover the various methods of financing the benefits. The relevant issues would include cost and cost control.

- Flexible benefit or cafeteria programs
- Shared Costs
- Contributions for dependents
- Maximum Benefits
- Variable depending on size and risk tolerance of employer