

# Managing International Employee Benefits EXAMINATION PAPER

**Monday 5th October 2020, 14.00pm – 17.00pm**

Fill in these particulars: Centre Name

Candidate Number

There are two parts to the question paper.

**Part One** contains 5 questions – you must attempt **ALL 5** questions in this section

**Part Two** contains 2 questions – you must attempt **ONLY 1** of these questions.

## ALL answers must be written in the green answer booklet in pen.

It is suggested you plan your answers to be able to spend adequate time on both parts of the question paper.

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# Part 1 - Short-Answer Questions (40 marks)

1. A company is acquiring a large industrial company with over 100,000 employees, 250,000 pensioners, and operations in 100 countries.

Describe, with reasons, four countries they should focus on for initial due diligence.

(12 marks)

1. State three key differences between US GAAP and IAS19 in relation to accounting of post- employment and other benefit costs.

(3 marks)

1. Employees of a French company are moving to work with the company's subsidiary in Canada.

Explain how the employees can remain, or keep links, to the French pension systems.

(5 marks)

1. List factors a company should consider when selecting a location for an international pension plan

(10 marks)

1. A global company with its own multinational pool has found that the pool made a loss in 2019; and that no dividend is payable. List five different reasons that have caused the pool to have create a loss; and suggest five actions that the company could take to make the pool profitable in future years.

(10 marks)

# Part 2 - Long-Answer Question (60 marks)

## Answer one of the following two questions, A or B. Marks will only be given for ONE question.

**No extra marks given for answering both questions. If answers are provided to both questions, marks will be given to the question started first (unless the answer to that question is crossed out, in which case marks will be given to the question started last)**

A)

You work for a large Chinese life insurance company which wants to expand and acquire businesses across three regions: Asia (including Russia but excluding Australia); Middle East and Africa; and South America.

You have been asked to write a report to help the Head of Group Strategy identify key markets and corporate employee benefit products that the company should focus on.

Your report should contain analysis of employee benefit insurances and savings products for employees of companies across these three regions (including the potential demand from employers and employees), and provide a recommendation, with reasoning, on two countries the company should focus on initially. Your report should also provide comments on whether head offices of multinationals should be the principal customers of the insurance company as it expands.

(60 marks)

## OR

B)

You are reading a media article about a large expanding Chinese technology and internet company with operations and businesses around the world.

The new CEO of the company has said that employers around the world should not spend money on pensions and medical plans. He has said these are costly, are not part of employer core business activities, expose organisations to legislative and compliance risks, and are not always appreciated or needed by employees He has said that because many employees would: prefer cash, especially younger employees for whom retirement is 30-40 years' away; may have debt to pay off; and/or want to save and spend in other areas. He has also said it should not be the role of employers to provide medical and retirement arrangements, and this should be the responsibility of the state and individuals. He has suggested that the most effective way of helping employees is to just give them cash compensation (e.g. salaries, overtime, bonuses, stock plans, cash allowances) and leave them free to spend money as they wish (including setting up and paying contributions to personal savings and medical plans). Do you agree with the CEO's view that employees should not provide pension and medical plans, and they should just give employees cash?

Write a report which explains why he may be right, explains why he may be wrong, and has a conclusion where you explain whether you agree with him. Provide examples of practices in at least eight different countries (including at least five in Europe and North America) to help support the points you make in your report.

(60 marks)

## Total – 100 Marks