

Sample Exam Questions

Reward and Retirement Provision

Instructions:

- This is only a sample paper and therefore consists of 40 multiple-choice questions.
 - This provides an indication of the typical mix and style of questions across the exam paper. **Please note, this is only a guide and therefore the actual balance of questions in the live exam paper may vary.**
 - Choose the correct answer from the options (A, B, C, or D).
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1. Which of the following would typically be considered a "benefit in kind"?

- A) Overtime pay
- B) Cash bonuses
- C) Company-provided health insurance
- D) Base salary

2. The purpose of "automatic enrolment" in retirement schemes is to:

- (A) Automatically increase employer contributions each year
- (B) Enrol employees in retirement savings without requiring their initiation
- (C) Allow employees to opt out of pension contributions
- (D) Provide additional vacation time for enrolled employees

3. An example of a non-contractual benefit might include:

- A) Overtime pay
- B) Base salary
- C) Free tea and coffee in the office
- D) Health insurance

4. What is the main purpose of the National Minimum Wage (NMW) and National Living Wage (NLW)?

- A) To set a minimum annual salary
- B) To establish a baseline hourly rate for workers
- C) To determine pension contributions
- D) To dictate retirement ages

5. In the context of employment, "salary sacrifice" refers to:

- A) Receiving reduced benefits in exchange for higher pay
- B) Employees opting for lower cash salary to fund benefits
- C) Automatically increased taxes for high-income employees
- D) Reduced employer contributions to pensions

6. Which type of benefit is generally used to provide income in the event of long-term illness?

- A) Life insurance
- B) Income Protection insurance
- C) Critical Illness cover
- D) Travel insurance

7. A "performance-related pay" scheme is designed to:

- A) Offer higher pay to employees with greater tenure
- B) Replace the need for annual bonuses
- C) Provide mandatory raises for all employees
- D) Increase pay based on individual or team performance

8. Which type of pension plan involves the employer paying a specified benefit amount upon retirement?

- A) Defined Benefit Plan
- B) Defined Contribution Plan
- C) Flexible Contribution Plan
- D) Share Ownership Plan

9. The "Transfer of Undertakings (Protection of Employment) Regulations" (TUPE) protect:

- A) Employers from pension liabilities
- B) Flexible benefits from government tax rule
- C) Employers' rights to alter benefits packages
- D) Employees' terms and conditions in a business transfer

10. A "contribution holiday" in a retirement plan generally allows:

- A) Employees to temporarily reduce contributions without losing benefits
- B) Increased mandatory contributions for a limited time
- C) Only employers to pause contributions
- D) Changes to the retirement age

11. Income Protection insurance typically provides:

- A) Lump sum payments for life events
- B) Health coverage for family members
- C) Regular payments during prolonged illness or disability
- D) Only accident coverage

12. A common objective of a "well-being program" in an organisation is to:

- A) Improve employee health and reduce absenteeism
- B) Replace all retirement benefits
- C) Increase mandatory retirement ages
- D) Set base salary levels

13. In a DC plan, which party is primarily responsible for the investment risk?

- A) The government
- B) The employer
- C) The employee
- D) The pension provider

14. Flexible spending accounts in benefits packages allow employees to:

- A) Contribute pre-tax income toward certain qualified expenses
- B) Invest in company stock options
- C) Increase their take-home pay
- D) Avoid contributing to retirement plans

15. Incentive programs are primarily used to:

- A) Increase employees' annual leave
- B) Set standard salary levels across the organisation
- C) Replace the need for health benefits
- D) Recognise and reward specific achievements or behaviours

16. In a DC plan, the accumulation phase refers to the period when:

- A) Funds are withdrawn for retirement income
- B) A guaranteed income is provided
- C) Only employer contributions are made
- D) Contributions and investment growth build the pension pot

17. Employers offer "benefits in kind" to:

- A) Replace base salary increases
- B) Avoid all employee taxes
- C) Provide non-cash benefits like health insurance or gym memberships

D) Increase only high-level executive pay

18. An employer's "total rewards package" may include:

- A) Only base salary and overtime pay
- B) Cash compensation, benefits, recognition, and development opportunities
- C) Only pension contributions
- D) Bonuses and non-taxable income only

19. The primary benefit of offering a "pension contribution match" is to:

- A) Encourage employee savings for retirement by matching their contributions
- B) Increase employees' taxable income
- C) Replace health insurance benefits
- D) Require employees to work longer hours

20. Which of the following is often considered an "intangible reward"?

- A) Overtime pay
- B) Performance bonuses
- C) Health insurance
- D) Job satisfaction and career development opportunities

21. What is the key feature of an Save As You Earn plan?

- A) Enables employees to save tax efficiently into a range of products at a discount, using the employer's bulk purchasing power
- B) Enables employees to save tax efficiently to buy company shares in future at today's price, with no obligation to do so if the price falls before then
- C) Enables employees to save tax efficiently to buy company shares today with a guaranteed tax free return on the shares when they are sold
- D) Enables employees to save tax efficiently to buy company shares at six monthly intervals, at a guaranteed price

22. What does it mean when employees who are covered under a Private Medical Insurance (PMI) plan are transferred to another PMI plan with a different insurer on a “Continued Personal Medical Exclusions” or “No Worse Terms” basis?

- A) This means that members will not be subject to new underwriting but carry any existing exclusions with them to the new scheme.
- B) This means that members must undergo full medical underwriting again, but a reduced premium will apply
- C) This means members can only join the new scheme if they declare no previous medical conditions
- D) This means members receive automatic full cover, including for previously excluded conditions

23. Why would a company purchase Keyman insurance in respect of individuals connected to the business?

- A) To protect the business from losses that would arise from the loss of the services of key individuals suffering an accident or sickness
- B) To ensure key individuals receive a bonus on completion of an important project that is key to the success of the business
- C) To ensure that in the event of death in service of a key individual due to accident or sickness, a tax free lump sum benefit can be paid to their dependants
- D) To cover the cost of specialist recruitment fees for a replacement of any key individual who leaves the company voluntarily

24. When establishing salary sacrifice arrangements under a flexible benefits scheme what clearance is required to ensure they are effective?

- A) Clearance from the trade unions who represent employees at the company
- B) Clearance from the employees following a consultation process
- C) Clearance from the Pensions Regulator and Department for Work and Pensions
- D) Clearance from the local tax inspector once the plan is in force

25. When setting up a flexible benefits scheme, what legislation needs to be observed to avoid charges of discrimination against specific groups?

- A) Employment Rights legislation
- B) National Insurance legislation
- C) Equal pay legislation
- D) Trade union legislation

26. Which of the following is not an example of an exclusion under the conditions of a Personal Accident and Sickness policy?

- A) Self-inflicted injury
- B) Playing team sports

- C) Full time military service
- D) Flying as a pilot

27. With effect from 6 April 2016, there were three significant changes in the taxation of employee expenses and benefits in kind. Which of the following was not one of them?

- A) Introduction of Insurance Premium Tax on all employee expenses
- B) Abolition of the £8,500 threshold for taxing certain benefits in kind
- C) Replacing dispensations with an exemption for paid or reimbursed expenses
- D) Ability for the employer to effect the 'payrolling' of benefits in kind

28. Under a Group Income Protection arrangement, what criteria determines whether an employee is eligible to join the policy?

- A) Their length of service with the company and age when cover starts
- B) Their job title and whether they have a previous claims history
- C) Their annual salary exceeding the scheme's minimum threshold
- D) Their being actively at work and satisfying the eligibility conditions

29. The "employer cost" approach to valuing benefits is most appropriately used in which of the following circumstances?

- A) During external benchmarking to compare benefit costs across companies of different sizes
- B) To reassure employees during mergers and acquisitions by comparing pre-merger and post-merger benefit packages
- C) When advertising a job vacancy to highlight the overall value of the benefits package to candidates
- D) To assess the market competitiveness of employee-paid benefit contributions

30. When developing an employee benefits strategy, an employer would start with

- A) Applying a standardised benefits model across all employee populations regardless of context
- B) Designing a new strategy from scratch based solely on legal and labour relations requirements
- C) Implementing immediate changes to benefits to ensure the arrangements are competitive against peer companies
- D) Researching and understanding the existing situation before planning future improvements

True/False Questions: Defined Benefit Arrangements

For each question, select the correct answer from the following options:

- **(A)** Both True
 - **(B)** Only (i) True
 - **(C)** Only (ii) True
 - **(D)** Both False
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- 31.** (i) Total rewards approaches focus exclusively on retirement benefits.
(ii) Employer-matched contributions eliminate the need for employee contributions.
- 32.** (i) In a reward strategy, non-financial rewards can include career development and recognition.
(ii) A well-being programme is often included in employee benefits to enhance health and reduce absenteeism.
- 33.** (i) Salary sacrifice arrangements can reduce an employee's taxable income.
(ii) Salary sacrifice is mandatory for all employees in retirement provision schemes.
- 34.** (i) In DC plans, the employer guarantees a specific retirement benefit.
(ii) Defined contribution (DC) plans place investment risk primarily on the employee.
- 35.** (i) Automatic enrolment requires eligible employees to be enrolled into a workplace pension automatically.
(ii) Employees cannot opt out of automatic enrolment once enrolled.
- 36.** (i) SIPs are available only to employees with over 10 years of service.
(ii) SIPs are available only to employees with over 5 years of service.
- 37.** (i) Income Protection insurance is primarily intended to provide post-retirement income.
(ii) Income Protection insurance replaces part of an employee's income during prolonged illness.

38. (i) A flexible benefits plan allows employees to choose benefits that best suit their needs.

(ii) Flexible benefits plans are typically restricted to high-level executives only.

39. (i) Performance-related pay is generally fixed and unrelated to employee performance.

(ii) Performance-related pay schemes reward employees based on their individual or team performance.

40. (i) A target-date fund automatically adjusts asset allocation as the retirement date approaches.

(ii) Target-date funds are generally only available in defined-contribution schemes.

ANSWER KEY

1. Answer: C
2. Answer: B
3. Answer: C
4. Answer: B
5. Answer: B
6. Answer: B
7. Answer: D
8. Answer: A
9. Answer: D
10. Answer: A
11. Answer: C
12. Answer: A
13. Answer: C
14. Answer: A
15. Answer: D
16. Answer: D
17. Answer: C
18. Answer: B
19. Answer: A
20. Answer: D
21. Answer: B
22. Answer: A
23. Answer: A
24. Answer: D
25. Answer: C
26. Answer: B
27. Answer: A
28. Answer: D

- 29. Answer: C
- 30. Answer: D
- 31. Answer: D
- 32. Answer: A
- 33. Answer: B
- 34. Answer: C
- 35. Answer: B
- 36. Answer: D
- 37. Answer: C
- 38. Answer: B
- 39. Answer: C
- 40. Answer: A