



Diploma in Employee Benefits Retirement Saving Test Specification

The Diploma in Employee Benefits and Retirement Saving consists of three units: (1) **Understanding Retirement Provision**; (2) **Regulation of Retirement Provision**; and (3) **Reward and Retirement Provision**. These units can also be selected as part of the PMI Advanced Diploma in Retirement Provision: the first two are core units and the third is a specialist option. These units use the following variety of question types:

Question Type*	Question Type description	Marks per Question
A	self-contained single answer multiple choice questions where candidates are requested to select the correct option from a choice of four.	1 mark
B	single answer multiple choice questions where candidates are presented with two statements and requested to identify whether a) both statements are true, b) only i) is true, c) only ii) is true or d) both statements are false.	1 mark
C	Short length answer questions where candidates write their answers in freeform	5-10 marks
D	Moderate length answer questions where candidates write their answers in freeform	15-20 marks
E	Full length answer questions where candidates write their answers in freeform	30 to 45 marks

*N.B. Additional question types are used in other units within the PMI Advanced Diploma in Retirement Provision.

Understanding Retirement Provision and **Regulation of Retirement Provision** will be assessed through questions of Types A, B and C. Sample illustrative questions are provided at the end of this Test Specification.

The examination for each of these two units will be of a total duration two hours, containing two distinct parts as follows:

Part 1 – multiple choice, 50 marks in total. 50% of overall mark. Recommended one hour

40 Type A questions
10 Type B questions

Part 2 – short answer. 50 marks in total. 50% of overall mark. Recommended one hour

5 to 10 Type C questions

Reward and Retirement Provision will be assessed through questions of Types C, D and E. Sample illustrative questions are provided at the end of this Test Specification.

The examination will be of a total duration of 3 hours comprised as follows:

- (1) 2 to 5 **Type C** questions;
10-25 marks in total. 10-30% of overall mark; recommended time allocation 20-40 minutes.
- (2) 2 to 4 **Type D** questions;
40-55 marks in total. 35-55% of overall mark; recommended time allocation 60-90 minutes.
Questions to include format/communications/presentation element (approximately 5-10% of total).
- (3) 1 **Type E** question;
30-45 marks in total. 30-45% of overall mark; recommended time allocation 60 minutes. Question to include format/communications/presentation element (approximately 10% of total).

Sample Questions

Type A - self-contained single answer multiple choice questions [select correct option from choice of 4].

1. Compensation is often paid at regular intervals, in cash and can also be subject to national statutory minimum rates, whereas
 - a. employee benefits are often less tax effective than salary.
 - b. bonus payments are always usually paid in stock options.
 - c. employee benefits may only be paid at a certain specified event.
 - d. Pension benefits are usually not paid regularly.
2. In a DC pension plan, the benefits provided
 - a. depend on employer contributions and the employee's final salary.
 - b. are determined solely by total contributions by employee and employer
 - c. will never be subject to tax.
 - d. depend on total contribution and investment return less any charges.

Type B - single answer multiple choice questions [multiple true false].

Multiple true false format. They comprise two statements (numbered (i) and (ii) and four possible options (lettered 'a' both true; 'b' Only (i) true; 'c' Only (ii) true; and 'd' both false), only ONE of these options is correct.

3. (i) The book reserve approach to funding is common in Germany.
(ii) The pay as you go approach to funding is common in the UK amongst trust based DB plans.
 - a. Both true
 - b. Only (i) true
 - c. Only (ii) true
 - d. Both false

Type C– “short length answer” questions

1. Under the Data Protection Act 1998, explain the role and powers of the Information Commissioner’s Office. (10 marks)
2. Outline the differences between a share sale and a business sale. (10 marks)
3. Describe the typical employer provided employee risk benefits in the USA and Japan. (10 marks)
4. Outline the methods for varying a trust. (5 marks)
5. Describe Employer Financed Retirement Benefit Schemes and explain how they have been impacted by recent pensions legislation. (10 marks)
6. List the consequences of deregistration for a Small Self-Administered Scheme (SSAS) (5 marks)
7. In the context of a typical defined contribution administration cycle list the checks that should be carried out by the administrator following receipt of pension contributions. (10 marks)
8. What different types of pension transfers are there and what HMRC requirements must be taken into account for each of them when considering a transfer of benefits? (10 marks)
9. To control the future costs of providing defined benefits, employers may look to restructure the way benefits are provided. Detail the main options for restructuring a scheme. (10 Marks)

Type D – “Moderate length answer” questions

1. During your recent client meeting, the Finance Director requests that you prepare a briefing paper that explains how to value employee benefits and when to use the different valuation approaches. (20 marks)
2. Your company is considering incorporating their pension schemes into a flexible benefits package. As Head of Pensions write a briefing paper for the Trustees of the pension schemes setting out the reasons why the Company is considering this.

Your report should cover the company’s Defined Benefit Scheme which is closed to new entrants but open to future accrual, and the Defined Contribution Scheme which is open to new entrants - and how the approach may vary between the schemes. You should also include the options the company has in relation to auto enrolment and how flexible benefit packages can be used. (20 marks)
3. You are an international benefits consultant and have been asked by your client to report on current topics and future long term trends in international employee benefits. Draft your report. (20 marks)

4. An employer with 200 employees is looking to establish a contracted in defined contribution occupational pension scheme. As the Pensions Adviser, the HR Director has asked you to explain the 6 Principles of Good Design and Governance of Workplace Defined Contribution Pension Provision together with the elements necessary for good member outcomes. Your explanation should be in the form of a paper and include the following:
 (a) the principles that are relevant when the scheme is set up, and
 (b) the principles that are relevant throughout the life of the Scheme. (20 marks)
5. Describe the primary factors that influence the design of a Defined Contribution Scheme. (20 marks)
6. ABC Limited is a technology company with 300 employees predominantly aged between 20 and 40 and sponsors a defined contribution pension scheme. As Pensions Manager for the Company you have been asked by the HR Director to explain 'online enrolment', 'online switching' and 'straight through processing' and the benefits of each for the scheme members. Draft a paper for him in response to this request. (20 marks)
7. Pension in payment increases are one of the financial assumptions which have an impact on actuarial calculations. Describe the main types of increases and how they are taken into account in the financial assumptions including any statutory minimum requirements. (20 marks)
8. A senior manager in your HR department is looking at the current pension policy for senior executives. He has asked you to write a report with details of the lifetime allowance and the protections which can affect benefit payments at retirement. (20 marks)
9. You are the pensions manager for a manufacturing company which is planning to close one of the production sites next year. It is in general an older workforce and there are a few workers currently on sick leave.
- Write a briefing note for the Human Resources manager outlining the options and procedures relating to early retirement from the final salary scheme. (20 marks)

Type E – “Full length answer” questions

1. The HR Director requests that you, their Benefit Consultant, prepare a report explaining insured Group Income Protection and Personal Accident schemes in relation to their:
- Purpose;
 - Design features; and
 - Taxation of benefits and contributions
- (35 marks)
2. In your role as a benefit consultant prepare a report for submission to the Company's Finance Director to identify the new rules introduced to tackle arrangements where employers use trusts or other vehicles to avoid, defer or reduce tax liabilities. Your report should cover the following:
- Arrangements where a possible charge to income tax and NI contributions may arise;
 - The taxation position if a charge arises;
 - The dates the taxation and NI contributions came into force; and
 - Exemptions which are not tax avoidance arrangements, including the types of employee share plans excluded.
- Your report should refer to the situation under pre-existing arrangements. However, you do not need to include reference to the grant and exercise of share options or deferred bonus plans. (35 marks)