# HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

## DEPARTMENT OF ECONOMICS AND FINANCE

## MAIN EXAMINATION

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|---|---|
| BACHELOR OF COMMERCE | PART 4.1 SEMESTER 2 |
| COURSE | PENSION SCHEME DESIGN AND ADMINISTRATION |
| CODE | HRMI429 |
| DATE | |
| DURATION | 3 HOURS |

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EXAMINATIONS OFFICE

**INSTRUCTIONS TO CANDIDATES**

1. THE PAPER COMPRISES 6 QUESTIONS.
2. YOU ARE REQUIRED TO ANSWER ANY 5 QUESTIONS.
3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.
4. WRITE NEATLY AND LEGIBLY.

1) Compare advance funding and PAYG using the criteria of:

a) Security (7)

b) Stability (7)

c) Liquidity (6)

2) If you were a trustee of a pension scheme why would you be interested in the following:

a) Liquidity (5)

b) Marketability (5)

c) volatility in capital value (5)

d) diversification of the scheme assets (5)

3) Mr Taps current monthly salary is \$3,756.60. He is married and has three minor children. He has been under the NSSA scheme for the past 9 years and is considering retiring next month when he turns age 60 and has approached you for advice. Note that the maximum insurable earnings for NSSA pension contributions for the present period is \$2,556.75.

a) Determine Mr Taps estimated retirement pension (RP). (4)

b) Calculate the spouse's pension (SP) should he die soon after retirement.(4)

c) Calculate the children's allowance (CA) if he dies before retirement (4)

d) Invalidity pension (IP) if he was forced to go on early retirement due to ill-health the previous year.

e) Outline some of the limitations of the NSSA pension scheme. (4)

4) If a benefit scheme is discontinued, what options are available for the provision of the outstanding benefit payments? (7)

4b) Upon the termination of her employment, a member of a pension fund has approached you for advice on the options available to her with regards to her fund benefits. What advice would you give her? (8)

4c) Outline the funding options available for a social security scheme. (5)

5a) The OECD offers guidelines for appropriate pension fund governance structures. Briefly explain their recommended governance structure for pension funds. (10)

5b) Briefly explain the following terms:

i) Means-tested benefits (3)

ii) Net Replacement Ratio (NRR) (4)

iii) Risk of illiquid assets (3)

6a) Explain what does the sponsor need to consider when setting the eligibility conditions of a pension scheme. (10)

6b) Briefly outline the benefits of pensions schemes to the society (10)