



SAMPLE QUESTIONS

ASHK Examination

February 2019 Edition

PENSION PAPER

Note: This sample question booklet is published solely to help candidates of the ASHK Examination (Pension Paper) familiarise themselves with the form and style of questions which they may see in the examination.

This booklet does NOT constitute past examination papers, NOR does it represent the number of questions or topic coverage in actual examinations. It should also be noted that this booklet is by no means intended to be a practice examination paper for readers. Readers should not equate success in answering the sample questions to success in the ASHK Examination (Pension Paper).



ACTUARIAL SOCIETY
HONG KONG
香港精算學會

No	Syllabus Section	Syllabus Topic	Question	Answer
1	3.3.1	Role of pension actuaries	<p>Which of the following statements are TRUE?</p> <p>I – Actuaries do not have any role to play in pricing of schemes. II – Actuaries work for both MPF and ORSO providers to provide advisory services to employers. III – Actuaries play a more important role to safeguard the adequacy of funding and soundness of funding plan in ORSO schemes compared to MPF schemes.</p> <p>a. I only b. II only c. I and III only d. II and III only e. All of the above</p>	D
2	3.3.1	Role of pension actuaries	<p>Which of the following statements are FALSE in respect of the Occupational Retirement Schemes Ordinance?</p> <p>I – All defined benefit schemes in Hong Kong are required to have an actuarial valuation conducted by a qualified actuary every year. II – All defined benefit and contribution schemes in Hong Kong are required to have an actuarial valuation conducted by a qualified actuary every 3 years. III – All defined benefit schemes in Hong Kong are required to have an actuarial valuation conducted by a qualified actuary every 3 years.</p> <p>a. I only b. I and II only c. I and III only d. II and III only e. None of the above</p>	B
3	3.3.1	Role of pension actuaries	<p>Which of the following statements are TRUE?</p> <p>I – Actuaries are not responsible for the design and costing of distribution compensation for MPF scheme. II – Actuaries help to play an important role to support financial sustainability of the MPF market. III – Actuaries support employers to monitor and review MPF providers.</p> <p>a. I only b. II only c. I and II only d. II and III only e. All of the above</p>	D
4	3.3.2		<p>Which of the following is a CORRECT description for the MPF system in Hong Kong?</p> <p>a. The MPF System is a mandatory, privately managed, defined benefits scheme. b. The MPF System was launched in 1998. c. Mandatory Provident Fund Schemes Authority (MPFA) is the statutory body charged with regulating and supervising the MPF schemes in Hong Kong. d. Both employers and employees are required to contribute a monthly amount equivalent to 3% of an employee's wages. e. Under the multi-pillar system recommended by the World Bank in 2005, both MPF and ORSO are second pillar system.</p>	C
5	3.3.2		<p>Which of the following is NOT a rationale behind governments' active role in retirement protection?</p> <p>a. Market failure b. Information gaps c. Moral hazard d. Long-term poverty e. Increasing medical costs</p>	E

No	Syllabus Section	Syllabus Topic	Question	Answer
6	3.3.2		<p>Which of the following statements are TRUE?</p> <p>I – With the implementation of the MPF system, enrolment of employees in ORSO schemes has been declining while but assets accumulated have been increasing.</p> <p>II – An employee may opt to transfer the accrued benefits derived from the employee’s portion of mandatory contributions attributable to current employment to any other master trust scheme or Industry Scheme of his/her choice once a year.</p> <p>III – Accrued benefits can only be paid after members reach the age of 65.</p> <p>a. I only b. II only c. I and II only d. I and III only e. All of the above</p>	C
7	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>An employee works for all 12 months throughout a tax year. His basic monthly salary is constant at HKD 25,000 throughout the tax year. He pays MPF employee mandatory contributions only. What is the tax deduction for this employee?</p> <p>a. HKD 3,000 b. HKD 10,000 c. HKD 15,000 d. HKD 18,000 e. HKD 36,000</p>	C
8	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>An employee retires from a company after completing 8 years of service. His long service payment before offset is HKD 200,000. His mandatory MPF balance accrued is HKD 150,000, and his voluntary MPF balance accrued is HKD 50,000. The vesting scale for the voluntary MPF balance starts from 0% for the first year of service, then increases by 10% for every year of service completed, up to 100% for 10 years of service completed. What is his long service payment after offset, after considering the effect of MPF offset?</p> <p>a. HKD 0 b. HKD 10,000 c. HKD 50,000 d. HKD 150,000 e. HKD 200,000</p>	B
9	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>If an ORSO scheme is determined to be not solvent after an actuarial valuation, then what type of actuarial certificate should be issued by the scheme actuary?</p> <p>a. Advanced actuarial certificate b. Discretionary actuarial certificate c. Full actuarial certificate d. Qualified actuarial certificate e. None of the above</p>	D
10	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>An ORSO defined benefit pension scheme has assets of HKD 150 million. Its actuarial past service liability is HKD 230 million, and its vested liability is HKD 200 million. What is the solvency ratio of this pension scheme?</p> <p>a. 65% b. 75% c. 100% d. 133% e. 153%</p>	B

No	Syllabus Section	Syllabus Topic	Question	Answer
11	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>When was the Profession Standard 2 issued by the Actuarial Society of Hong Kong last revised?</p> <p>a. 2007 b. 2009 c. 2011 d. 2013 e. 2015</p>	E
12	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>If an ORSO scheme is determined to be solvent after an actuarial valuation, then the scheme actuary must recommend a funding strategy for the scheme for the next:</p> <p>a. 1 year b. 3 years c. 5 years d. 7 years e. 9 years</p>	B
13	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>Which of the followings are classified as Class G of long term business?</p> <p>I – Insurance company provides guaranteed return funds to their clients' pension plans. II – Insurance company provides funds to their clients' pension plans. III – Employer operates a retirement scheme for their employees and the retirement scheme offers a guaranteed return fund.</p> <p>a. I only b. II only c. III only d. I and III only e. All of the above</p>	A
14	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>Which of the following is NOT one of the guiding principles for the valuation methodology of Guideline on the Reserve Provision for Class G of Long Term Business (GL7)?</p> <p>a. Consideration of management action b. Segregation of risks c. Relevance of risks d. Modelling of risks e. Evolving practice</p>	B
15	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>Which of the following is the requirement of Guideline on the Reserve Provision for Class G of Long Term Business (GL7):</p> <p>I – Provisions for investment guaranteed and for the smoothing of investment returns shall each be held as separate provision. II – Provision for account balance should be determined in accordance to the terms of the insurance policy. III – Valuation process and methodologies are documented and approved by the Board of Directors.</p> <p>a. I only b. II only c. I and II only d. II and III only e. All of the above</p>	C

No	Syllabus Section	Syllabus Topic	Question	Answer
16	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>What should be reflected in the model of Guideline on the Reserve Provision for Class G of Long Term Business (GL7)?</p> <p>I – Material product features II – Scheme member behaviour III – Investment expenses for assets which support capital</p> <p>a. I only b. II only c. I and II only d. I and III only e. All of the above</p>	c
17	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>A designated fund shall be mainly comprised of the provision for:</p> <p>I – Account balance II – Investment guarantee III – Smoothing of investment returns</p> <p>a. I only b. II only c. III only d. I and II only e. All of the above</p>	E
18	3.3.4	Regulations, Professional Standards, Guidelines and Industry Standard Practice	<p>Which of the following statement is FALSE?</p> <p>I – Insurance company is required to hold provision that should cover most of the adverse situation with a 95% level of confidence. II – Stochastic approach is the preferred approach in determining the provision of Guideline on the Reserve Provision for Class G of Long Term Business (GL7). III – Insurer is required to maintain a separate long term business fund for its Class G business.</p> <p>a. I only b. II only c. I and II only d. II and III only e. All of the above</p>	A
19	3.3.5	General	<p>Which of the following statements are TRUE?</p> <p>I – Enrolment in ORSO schemes are decreasing. II – We expect to see more innovation and progressive evolution in the MPF space in the coming years. III – Enrolment in MPF schemes are increasing.</p> <p>a. I only b. II only c. I and II only d. II and III only e. All of the above</p>	E

No	Syllabus Section	Syllabus Topic	Question	Answer
20	3.3.5	ECA	<p>Which of the following statements are TRUE?</p> <p>I – Employee Choice Arrangement gives employer the choice to transfer mandatory employee contributions to a scheme of their choice once per year. II – Employee Choice Arrangement gives employee the choice to transfer mandatory employee contributions to a scheme of their choice once per quarter. III – Employee Choice Arrangement gives employee the choice to transfer mandatory employee contributions to a scheme of their choice anytime they want.</p> <p>a. I only b. II only c. III only d. I and III only e. None of the above</p>	E
21	3.3.5	ECA	<p>Which of the following statements about contributions from current employment is TRUE?</p> <p>I – Employer and Employee voluntary contributions are not transferable before Employee Choice Arrangement. II – Employer mandatory contributions are not transferable after Employee Choice Arrangement. III – Employee mandatory contributions are transferable once every calendar year after Employee Choice Arrangement.</p> <p>a. I only b. III only c. I and II only d. II and III only e. None of the above</p>	D
22	3.3.5	E&Y cost study	<p>According to the E&Y cost study, which of the following are NOT a driver of the high administration cost?</p> <p>a. A small percentage of manual and paper based administration process. b. A large percentage of small employers and self employed persons. c. Small scale of asset under management. d. Insufficient pricing competition. e. A more flexible, full service system offering wider member services, increasing process complexity ad workload.</p>	A
23	3.3.5	DIS	<p>Which of the following statements are key features of Default Investment Strategy (DIS)?</p> <p>I – Fee cap II – Automatic reduction of investment risk according to member's age III – Focus on globally diversified investment</p> <p>a. I and II only b. I and III only c. II an III only d. All of the above e. None of the above</p>	D

No	Syllabus Section	Syllabus Topic	Question	Answer
24	3.3.5	DIS	<p>Which of the following statements on Default Investment Strategy (DIS) are TRUE?</p> <p>I – If you have not given your trustee specific investment instructions, you will need to inform your trustee whether you want to select DIS or not. II – If you have given your trustee investment instructions, then DIS affects the MPF benefits in your account. III – All scheme members, regardless of age, can choose to invest according to the DIS or invest in the two funds under the DIS.</p> <p>a. I and II only b. I and III only c. II and III only d. All of the above e. None of the above</p>	B