

Please answer the following questions by circling the best answer:

1. A Trustee's fiduciary responsibility is to:
 - A. Plan participants and beneficiaries
 - B. Union
 - C. Employer/Sponsor
 - D. All of the above
2. Who bears the investment risk in a defined benefit plan?
 - A. Participant
 - B. Investment Managers
 - C. Trustees
 - D. Employer
3. It is important to have an investment policy for all of the following reasons, except:
 - A. Monitoring investments
 - B. Selection of investment managers
 - C. Eliminates trustee responsibility and liability
 - D. Managing investment risk
4. An actuarial valuation serves the following purposes, except:
 - A. Satisfy legal and accounting requirements.
 - B. Calculate employer contributions.
 - C. Amend plan provisions.
 - D. Determine plan's liabilities.
5. What is the maximum amount of domestic stock allowed in a Michigan governmental defined benefit retirement plan?
 - A. 50%
 - B. 60%
 - C. 70%
 - D. 80%
6. 100 Basis Points equals:
 - A. .01 %
 - B. 1.0 %
 - C. .10 %
 - D. .001 %
7. A purchaser of a corporate bond becomes a:
 - A. owner of the company.
 - B. creditor of the company.
 - C. equity holder of the company.
 - D. debtor of the company.
8. Securities lending is best described as:
 - A. Retirement system's borrowing of securities.
 - B. Bank notes.
 - C. Borrowing of retirement system assets.
 - D. Mortgages.
9. What is Asset Allocation?
 - A. Purchase of assets
 - B. Hiring of money managers
 - C. Determining proper combination of investments for Plan
 - D. Sale of assets
10. What statement best reflects a "bottom up" approach to investing?
 - A. Consideration of the economy.
 - B. Consideration of the industry sectors.
 - C. Consideration of the company's fundamentals.
 - D. Consideration of the market indexes.
11. When interest rates rise the value of a Treasury Bond:
 - A. Increases
 - B. Decreases
 - C. Remains the same
 - D. Fluctuates
12. Article 9, Section 24 of the Michigan Constitution provides for all of the following, except:
 - A. Public pension benefits shall not be diminished or impaired.
 - B. Retirement system must have a qualified plan determination letter from the IRS.
 - C. Accrued financial benefits of a pension plan shall be a contractual obligation.
 - D. Financial benefits arising on account of service rendered in each year shall be funded during that year.
13. Which rating reflect the least risky bond:
 - A. A
 - B. AA
 - C. AAA
 - D. BBB
14. "Vesting" is based upon an employee's:
 - A. Compensation
 - B. Age
 - C. Length of service
 - D. Gender
15. Which scenario illustrates a "prohibited transaction"?
 - A. Preferred trustee loans from plan's custodial bank.
 - B. Payment to trustee from manager.
 - C. Payment of employer expenses unrelated to plan administration.
 - D. All of the above.
16. "Unfunded Actuarial Accrued Liability" of a Plan refers to:
 - A. Plan liabilities less Plan assets
 - B. Liability of the Plan's actuary
 - C. Actuarial expense to prepare valuation
 - D. Cost of future benefits
17. All of the following are investment style benchmarks, except:
 - A. S&P 500
 - B. Sharpe Ratio
 - C. EAFE
 - D. Russell 2000 Index
18. What is a Rollover?
 - A. Crediting of prior service time
 - B. Reinvestment of dividends
 - C. Deferral of tax by transfer of an otherwise taxable distribution
 - D. Continued accrual of unused benefits (e.g., sick and vacation time)
19. Which of the following is not used to calculate a straight life benefit in a defined benefit plan:
 - A. Age
 - B. Service Credit
 - C. Compensation
 - D. Pension Multiplier/Percentage
20. All of the following are demographic actuarial assumptions, except.
 - A. Rates of termination
 - B. Life expectancy
 - C. Rates of salary increase
 - D. Rates of retirement

Please answer the following True or False questions by circling the best answer.

1. A trustee may be held personally liable for inactions of the Board.
True False
2. An eligible domestic relations order may require benefit options which are not otherwise provided by the plan.
True False
3. A Retirement System is required by law to have an investment policy.
True False
4. A request for information under the Michigan Freedom of Information Act must be in writing.
True False
5. Retirement benefits are a mandatory subject of collective bargaining under the Public Employment Relations Act.
True False
6. The Pension Benefit Guaranty Corporation (PBGC) guarantees the retirement benefits of Michigan's public employees.
True False
7. Actuarial assumptions are required to be changed on an annual basis.
True False
8. The term "actuarial equivalent" refers to the total amount of Plan assets reflected in the Annual Actuarial Valuation.
True False
9. "Alpha" is a measure of performance due to stock selection?
True False
10. In order for a retirement plan to be considered a "qualified plan and trust" it must be in receipt of a Qualified Plan Determination Letter from the Internal Revenue Service.
True False

11. A supplemental actuarial analysis must be provided by the retirement system's actuary to the retirement board and the decision-making body that will approve the proposed benefit change at least 7 days before a proposed pension benefit change is adopted.
True False
12. Under the Michigan Public Employee Retirement System Investment Act, a Michigan public employee retirement system may not invest more than 70% of the Plan's assets in bonds.
True False
13. E-mails are not subject to disclosure under the Freedom of Information Act.
True False
14. A Board may not be held liable for the management of plan assets if the trustees delegate investment decisions to a registered investment manager.
True False
15. Market capitalization is determined by multiplying the market price per share by the total number of shares outstanding.
True False
16. A qualified governmental pension plan must be for the exclusive benefit of the sponsoring governmental entity.
True False
17. Actuarial "smoothing" is done to equate plan assets to current market value.
True False
18. American Depository Receipts (ADRs) are shares of U.S. companies which are traded on foreign exchanges.
True False
19. P/E Ratio is a measure of risk.
True False
20. A 50% joint and survivor annuity is equal to 50% of a straight life benefit.
True False

Answers can be found on the Resources Page (Links scrollbar on the right side) of the MAPERS website
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