

Retirement and Benefits, Risk Management, and Procurement (revised 12/2018)
Sample Examination

1. In the public sector, there are commonly separate pension plans covering:
 - a) general employees.
 - b) public safety employees (police and fire).
 - c) public works employees.
 - d) (a) and (b)
2. According to a GFOA Best Practice on “Investment Policies Governing Assets in Deferred Compensation Plan”, investment options should:
 - a) include a broad range of investment options.
 - b) be limited to fixed income investments.
 - c) have unlimited investment options.
 - d) have no more than 10 investment options.
3. In which type of retirement plan is the annual funding or contribution fixed each year?
 - a) Defined contribution plan
 - b) Defined benefit plan
 - c) Cash balance plan
 - d) (a) and (c)
4. In a defined benefit plan, a formula determines the level of the retirement benefit to a retired employee. The components of the formula are commonly:
 - a) annual multiplier for each year of service.
 - b) years of service.
 - c) final average salary of an employee.
 - d) All of the above
5. What is the most common type of retirement plan in the public sector?
 - a) Defined contribution (DC) plans
 - b) Defined benefit (DB) plans
 - c) Hybrid plans
 - d) 401(k) plans
6. Which of the following is true?
 - a) In a defined benefit plan, the retirement benefit is fixed, according to a formula
 - b) In a defined contribution plan, the retirement contribution is determined annually by an actuarial study
 - c) A defined contribution plan requires an equal contribution by the employee
 - d) A defined benefit plan is usually portable to other employers
7. Compared to a defined benefit plan, what are the advantages of a defined contribution plan from the employer’s point of view?
 - a) Costs are more predictable
 - b) The employer faces no investment risk
 - c) Helpful in recruitment due to portable feature
 - d) All of the above
8. State law allows pensions to invest under various forms of authorization. Which has become more popular in recent years?
 - a) Legal lists
 - b) Insurance company clause
 - c) Prudent investment clause
 - d) None of the above
9. Pension funds commonly invest in which of the following asset classes?
 - a) Cash and cash equivalents
 - b) Bond/fixed income securities
 - c) Stocks
 - d) All of the above
10. Asset allocation:
 - a) is the process of investing in specific securities.
 - b) is the process of determining which asset classes to invest in.
 - c) determines the vast majority of a portfolio’s investment returns.
 - d) (b) and (c)

11. Investment risk is typically measured by:
- the standard deviation (statistical variation in investment return)
 - the frequency that actual investment returns fail to exceed a benchmark
 - audits of the companies in which the pension fund invests
 - all of the above
12. Which of the following is NOT an advantage of defined contribution plan?
- Portability
 - Budget stability
 - Employer risk is reduced
 - Incentive for longer service
13. A pension fund that assumes, for actuarial purposes, a 10 percent return is:
- typical of most pension plans.
 - relatively pessimistic.
 - relatively optimistic.
 - (a) and (c)
14. For other post-employment benefit (OPEB) plans with 250 or more participants, actuarial valuations are required:
- every year.
 - every two years.
 - every three years.
 - every five years.
15. Under GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which of the following is true about reporting an expenditure in a governmental fund for other post-employment benefit (OPEB)?
- It equals the amount of actuarially determine contribution to the plan
 - It is the same amount that is reported as an expense in the government-wide financial statements
 - It represents the amount paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due.
 - None of the above
16. In the long run, which is the biggest factor in determining the investment return of a pension portfolio?
- Selection of the asset allocation
 - Selection of investment advisor
 - Selection of individual securities
 - Market timing
17. Which type of fixed-income investment will typically have both the highest risk and return over the long run (assume a normal yield curve)?
- Commercial paper
 - Treasury bills
 - Long-term government bonds
 - Long-term corporate bonds
18. Which of the following is true regarding GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, on other post-employment benefits (OPEB)?
- It requires governments to advance fund OPEB
 - As long as retirees pay the full blended healthcare premium, there are no OPEB costs to report
 - A net OPEB liability will be reported if the total OPEB liability exceeds the plan's net position
 - It only applies to formal written OPEB plans
19. Which of the following is NOT a reason that a government may have a net liability related to defined benefit pension benefits?
- Actuarial losses
 - An increase in employees
 - Change in benefit formula
 - Transitional liability for past service costs
20. In a government's financial statements, where would a net pension liability be reported?
- Pension trust fund statement of net position
 - Government-wide statement of net position
 - Governmental funds balance sheet
 - All of the above
21. The total pension liability for a pension plan is:
- Reported in the government-wide statement
 - The present value of pension benefits attributable to past service.
 - Reported in the pension trust fund.
 - The amount of future benefit payments
22. Low-severity, low-frequency risks should be:
- self-insured (paid out of pocket).
 - insured through an intergovernmental risk pool.
 - insured through a commercial insurance carrier.
 - avoided by discontinuing activities or services that result in such risks.

23. The practice of risk management consists of:
- risk identification and evaluation.
 - development and implementation of risk treatment tools/techniques.
 - implementation of the risk management program.
 - All of the above
24. It is common for a government to account for their risk-financing activities in which of the following funds?
- Special revenue fund
 - Enterprise fund
 - Internal service fund
 - Trust fund
25. Which of the following can be used to reduce insurance costs without risking severe financial losses?
- Keep the policy limits low
 - Increase deductibles
 - Bid insurance coverage yearly
 - Reduce the number of perils covered in each insurance policy
26. A local government typically spends the majority of its resources on financial protection from
- General liability
 - Workers' compensation
 - General property
 - Crime and fidelity loss
27. Which of the following techniques is often not available to governments in managing risks?
- Loss prevention and control
 - Risk transfer
 - Risk retention
 - Risk avoidance
28. The purchase of insurance coverage by a government is known as:
- loss prevention and control.
 - risk transfer.
 - risk retention.
 - risk avoidance.
29. The most costly portion of the risk management budget is:
- loss prevention and control activities.
 - claims administration.
 - risk finance.
 - legal review.
30. Which of the following is an objective of a risk management program?
- Create a safe workplace.
 - Prevent catastrophic financial losses.
 - Provide budget stability.
 - All of the above.
31. Which of the following is an example of an effective loss prevention and control technique?
- Remove the diving board from the community pool
 - Purchasing worker's compensation insurance from a commercial insurance carrier
 - Establish an active, management-supported safety committee
 - Establish a self-insurance special revenue fund
32. In order to reduce moral hazard caused by the purchase of insurance, the insurance industry uses all of the following options EXCEPT:
- canceling existing insurance contracts.
 - offering incentives.
 - requiring deductibles.
 - rewarding government for loss control programs.
33. Which of the following indicators is used for assessing the effectiveness of a risk management program related to worker's compensation?
- Average cost per claim
 - Number of claims denied
 - Number of claims processed
 - Workers' compensation cost per \$100 in payroll
34. The three stages of procurement are:
- planning, scheduling, purchasing.
 - planning and scheduling, vendor (source) selection, contract administration.
 - budgeting funds, encumbering funds, paying vendor.
 - budgeting funds, vendor (source) selection, paying vendor.
35. Which of the following is NOT an advantage of a decentralized procurement function?
- Expedite procurement process
 - Volume discounts
 - Clear project management responsibilities
 - Access to local supply sources

36. When a government decides to utilize a means of privatization that eliminates the delivery of a certain service, the process is known as:
- a) service contracting.
 - b) franchising.
 - c) divestiture.
 - d) commodity purchasing.
37. Which of the following is not usually a payment term included in a time and materials contract?
- a) Labor
 - b) Equipment
 - c) Cost escalator
 - d) Supplies
38. When may a government forgo competitive solicitations (ITB or RFP)?
- a) For emergency purchases
 - b) When precise and clear specifications cannot be developed
 - c) When there is only one source for the purchase
 - d) (a) and (c)
39. A Request For Proposal (RFP) is which type of a procurement document?
- a) Offer
 - b) Contract
 - c) Amendment
 - d) Solicitation
40. A bidder is considered “responsive” if:
- a. it has the lowest price.
 - b. it has the ability to perform the terms of the contract.
 - c. it has properly followed all procedures for submitting a bid and its bid meets specification requirements.
 - d. it is capable of manufacturing the desired product in the time frame required.

Answer Key

1. d
2. a
3. a
4. d
5. b
6. a
7. d
8. c
9. d
10. d
11. a
12. d
13. c
14. b
15. c
16. a
17. d
18. c
19. b
20. b

21. b
22. a
23. d
24. c
25. b
26. b
27. d
28. b
29. c
30. d
31. c
32. a
33. d
34. b
35. b
36. c
37. c
38. d
39. d
40. c