

TRUSTEE EVALUATION EXAMINATION

ANSWER KEY

1. **A Trustee's fiduciary responsibility is to:**
 - A. Plan participants and beneficiaries
2. **Who bears the investment risk in a defined benefit plan?**
 - D. Employer
3. **It is important to have an investment policy for all of the following reasons, except:**
 - C. Eliminates trustee responsibility and liability
4. **An actuarial valuation serves the following purposes, except:**
 - C. Amend plan provisions.
5. **What is the maximum amount of domestic stock allowed in a Michigan governmental defined benefit retirement plan?**
 - C. 70%
6. **100 Basis Points equals:**
 - B. 1.0 %
7. **A purchaser of a corporate bond becomes a:**
 - B. creditor of the company.
8. **Securities lending is best described as:**
 - C. Borrowing of retirement system assets.
9. **What is Asset Allocation?**
 - C. Determining proper combination of investments for Plan.
10. **What statement best reflects a "bottom up" approach to investing?**
 - C. Consideration of the company's fundamentals.

11. **When interest rates rise the value of a Treasury Bond:**
- B. Decreases
12. **Article 9, Section 24 of the Michigan Constitution provides for all of the following, except:**
- B. Retirement system must have a qualified plan determination letter from the IRS.
13. **Which rating reflect the least risky bond:**
- C. AAA
14. **“Vesting” is based upon an employee’s:**
- C. Length of service
15. **Which scenario illustrates a “prohibited transaction”?**
- D. All of the above.
16. **“Unfunded Actuarial Accrued Liability” of a Plan refers to:**
- A. Plan liabilities less Plan assets
17. **All of the following are investment style benchmarks, except:**
- B. Sharpe Ratio
18. **What is a Rollover?**
- C. Deferral of tax by transfer of an otherwise taxable distribution.
19. **Which of the following is not used to calculate a straight life benefit in a defined benefit plan:**
- A. Age
20. **All of the following are demographic actuarial assumptions, except.**
- C. Rates of salary increase.
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TRUE OR FALSE QUESTIONS

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

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.**
- False
13. **E-mails are not subject to disclosure under the Freedom of Information Act.**
- 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.**
- False
15. **Market capitalization is determined by multiplying the market price per share by the total number of shares outstanding.**
- True
16. **A qualified governmental pension plan must be for the exclusive benefit of the sponsoring governmental entity.**
- False
17. **Actuarial "smoothing" is done to equate plan assets to current market value.**
- False
18. **American Depository Receipts (ADRs) are shares of U.S. companies which are traded on foreign exchanges.**
- False
19. **P/E Ratio is a measure of risk.**
- False
20. **A 50% joint and survivor annuity is equal to 50% of a straight life benefit.**
- False

Thank you for completing the examination.
