

March 2017 - AS1021

Practice Multiple Choice Question Set #2

Note -- The following values may be useful.

RRSP annual contribution limits = \$22,970 (2012), \$23,820 (2013)

For Government Retirement Programs

- YMPE for 2013 = 51,100
- YBE for 2013 = 3,500
- Employee CPP contribution rate for 2013 = 4.95%
- Maximum CPP retirement benefit for 2013 = \$1012.50
- Survivor CPP pension (under age 65) = $176.45 + (0.375)(\text{deceased retirement CPP benefit})$
- Disability CPP pension = $453.52 + (0.75)(\text{disabled retirement CPP benefit})$
- Maximum OAS benefit for 2013 = \$550.99; maximum income before claw back = \$70,954
- Maximum GIS benefit for 2013 = \$747.11 (single), \$495.39 (if both spouses are receiving OAS)
- CPP retirement benefit increases: 2012 and before = 0.50%; 2013 and beyond = 0.70%
- CPP retirement benefit decreases: 2012 and before = 0.50%; 2013 = 0.54%; 2014 = 0.56%; 2015 = 0.58%.

For workers' compensation:

- Maximum assessable earnings for workers' compensation for 2013 = \$82,300
- non-economic lump sum = \$57,069.08; goes up or down by \$1268.66 per year above or below age 45
- survivor lump sum = \$76,537.17; goes up or down by \$1913.43 per year above or below age 40

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Part A – Multiple Choice Questions

1. Joe retired on November 1, 2012 at exact age 66. He applies for CPP and OAS. He is eligible for the maximum CPP retirement benefit. His income for all sources (including CPP) in 2013 turned out to be \$82,495. What would be his net combined CPP and OAS monthly benefit for December, 2013?

2. Jim is 17 years old. John is 29 years old and Sally is 66 years old. Regarding coverage by the Ontario Health Insurance Plan (OHIP) for visits to a physiotherapist who works in a hospital, which of the following is true?

OHIP

	<u>No visits covered</u>	<u>Provides some reimbursement</u>
(A)	John	Jim, Sally
(B)	Sally	John, Jim
(C)	John, Sally	Jim
(D)	John, Sally, Jim	---
(E)	---	Jim, John, Sally

3. A man started working in a factory at age 20 operating a machine that produced widgets. After 15 years in that job, he was moved to another job driving a fork lift that loaded boxes of widgets onto trucks. Just two weeks into that job, he suffered an injury at home that led to the loss of his left arm. He could no longer safely drive the fork lift, but he could still operate the machine at his old job. The man has disability coverage under an employer disability plan. Which of the following is true regarding whether he is considered disabled or not?

	<u>Own Occupation Clause</u>	<u>Any Occupation Clause</u>
(A)	Disabled	Disabled
(B)	Disabled	Not Disabled
(C)	Not Disabled	Disabled
(D)	He is not disabled under either clause because the injury did not take place at work	
(E)	He is actually considered disabled under the presumptive disability clause	

Use the following information for the next question:

Year	2009	2008	2007	2006	2005	2004	2003	2002	2001
YMPE	46,300	44,900	43,700	42,100	41,100	40,500	39,900	39,100	38,300

4. Suppose a woman retired in 2009 and started receiving CPP monthly retirement benefits at age 63 years, 3 months, but she died 3 months later. She earned in excess of the YMPE every year of her life since age 18. Her surviving spouse is age 62. What is the size of his monthly CPP survivor pension?

For the next question, you are given a characteristic of a social insurance program, a private insurance program or both types of programs. Determine which program the given characteristic is more likely to apply to.

5. Provides pre-determined benefits that are not based on need.

(A) Social insurance (B) Private insurance (C) Both social and private

6. For a long term care insurance policy, you are given the following policies:
 Policy 1: 6 month EP; \$100 maximum daily benefit; 5 year benefit period
 Policy 2: 6 month EP; \$100 maximum daily benefit; 3 year benefit period
 Policy 3: 12 month EP; \$100 maximum daily benefit; 5 year benefit period
 Let P_1 , P_2 and P_3 represent the monthly premium for policy 1, 2 and 3 respectively. Which of the following is true? (note: EP = elimination period)
- (A) $P_1 < P_2$; $P_1 < P_3$ (B) $P_1 < P_2$; P_1 may be $<$ or $>$ P_3 (C) $P_1 > P_2$; $P_1 < P_3$
 (D) $P_1 > P_2$; $P_1 > P_3$ (E) $P_1 > P_2$; P_1 may be $<$ or $>$ P_3
7. One of the causes of economic insecurity is a substandard wage. Which of the following can cause a substandard wage?
- (A) Insufficient Income (B) Seasonal Unemployment (C) Poor Health
 (D) Each of (A), (B) and (C) can cause a substandard wage
 (E) None of (A), (B) or (C) are causes of a substandard wage
8. Joe retired at age 65 in 2013. He applied for CPP and OAS. He is eligible for the maximum monthly CPP retirement benefit of \$1012.50. His income for all sources (including CPP) in 2013 turned out to be \$90,519. What would his net OAS monthly benefit be for 2013 after any claw back is applied?
- (A) \$458.30 (B) \$306.43 (C) \$256.62 (D) \$244.56
9. ASSERTION (A) REASON (R)
 Many group RRSP's do not have employer contributions because Employer contributions to a group RRSP are considered salary to the employee
- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
 (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
 (C) (A) is true, but (R) is false
 (D) (A) is false, but (R) is true
 (E) Both (A) and (R) are false
10. ASSERTION (A) REASON (R)
 Private (employer) health plans were first developed on the concept that protection is needed in the event of catastrophic illnesses or accidents that could result in large medical bills. because In the 1950's each province had their own provincial health plan that only covered basic services such as hospital stays and visits to the doctor.
- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
 (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
 (C) (A) is true, but (R) is false
 (D) (A) is false, but (R) is true
 (E) Both (A) and (R) are false

11. A man retired in 2013 at age 65 at which time he applied for the CPP retirement benefit. He was eligible for the maximum monthly benefit. However he died 3 months later and his spouse is eligible for a CPP survivor pension. His surviving spouse is age 63 but she has retired and is receiving a CPP monthly retirement benefit of \$500. What is the size of her combination CPP survivor + CPP retirement monthly pension?

(A) \$1512.50 (B) \$1056.14 (C) \$1107.50 (D) \$1012.50 (E) \$879.69

12. With respect to employee contributions to a flexible pension plan, which of the following are true?

(A) They increase an employee's PA (pension adjustment) value
(B) They reduce the employee's individual RRSP contribution limit
(C) They pay for additional, ancillary benefits
(D) More than one of (A), (B) and (C) is true
(E) None of (A), (B) or (C) are true

13. Cindy has an individual disability insurance policy with a 30-day elimination period and a 2-year benefit period. The policy pays \$2000 a month if she becomes disabled. Payments are made at the end of each month only if she is still disabled at that time. The policy also has the following two extra benefits: rehabilitation and principal sum. Cindy becomes totally disabled at age 32 and exactly 85 days later she dies as a result of her disability. How much total money will the disability policy end up paying Cindy and/or her beneficiaries? *2 months syllables*

(A) \$2000 (B) \$4000 (C) \$6,000 (D) \$26,000 (E) \$28,000

14. A friend of yours is talking about defined contribution plans. He makes the following statements:

(I) The employee takes the investment risk
(II) The majority of Registered Pension Plans in Canada are defined contribution plans

Which of the above two statements are (is) true?

(A) Both are true (B) (I) only (C) (II) only (D) Neither are true

Solutions

1. $OAS = 0.15(82,495 - 70,954) = 1731.15 / 12 = 144.26$. $OAS = 550.99 - 144.26 = 406.27$. As for CPP, person retired 12 months after age 66. Since he retired in 2012, he would get the monthly increase that was in effect in 2012 = 0.50% per month. He monthly benefit would be increased by $(1 + 0.005(12)) = 1.06$. Thus, his CPP monthly benefit in 2013 would be $1012.50 (1.06) = \$1073.25$.

His total benefit = $406.27 + 1073.25 = \$1479.98$

(Note: if you used 0.70% as the benefit increase per month, the CPP benefit would be \$1097.55 and the overall total would be \$1504.28).
2. (E) – since the physiotherapy was done in a hospital AFTER surgery, every one of these people gets some reimbursement under OHIP (even John who is not young (not under age 18) and who is not old (65 and older)).
3. (B) He cannot do his OWN job, but he could do ANY job.
4. Maximum CPP benefit for 2009 = $(0.25)[46,300 + 44,900 + 43,700 + 42,100 + 41,100] / 5 = (0.25)(43,620) = 10,905 / 12 = 908.75$. But she retired 21 months early. In 2009, that was a penalty of 0.50% per month (in 2015, the penalty is 0.58% per month). Thus, retirement benefit = $908.75(1 - (0.005)(21)) = 908.75(0.895) = 813.33$
Survivor benefit = $176.45 + (0.375)(813.33) = \481.45
in 2017 it is .6% penalty < 65-
5. (A)
6. (D)
7. (E) All can cause insufficient income, but none can cause a sub-standard wage
8. (B) $0.15(90,519 - 70,954) = 2934.75 / 12 = 244.56$; $OAS = 550.99 - 244.56 = 306.43$
9. (A) A = true; R = true; and R is a valid reason for A
10. (C) A = true; R = false (Government Hospital plans might have got started in 1957, but doctors were not added until the 1960's!)
11. (D) Survivor benefit = $176.45 + (0.375)(1012.50) = 556.24 + 500 = \1056.14 ; BUT the survivor + retirement combination is CAPPED at \$1012.50
12. (C) Flexible plans do not increase the PA-value, nor do they reduce RRSP contribution level
13. (D) Principal sum pays $12 \times 2000 = 24,000$ if death is within 90 days + Cindy received one month of disability 2000 (at the end of 60 days) = \$26,000
14. (B) (I) is true, but (II) is false