**Investment Considerations**

**Test**

1. Please read the following statements and then pick the correct answer below:

(i) A statement of investment principles is only required for a defined benefit scheme

(ii) Before drafting a SIP the trustees must consult with the employer and obtain specialist written advice from an appropriate expert

1. Both statements are true
2. Both statements are false
3. The first statement is true and the second is false
4. The first statement is false and the second is true

2. When considering investing in shares in a company, which of the following risks should affect your decision? (choose three)

1. Company goes bankrupt making its shares worthless
2. Government nationalises the company's assets without compensation to the shareholders
3. Company's profits reduce, income expectations reduce and share price falls
4. Deposit taker loses the money invested

3. Which best meet active scheme members' requirements to provide a total return equal to or in excess of salary inflation?

1. Index linked bonds
2. Equity
3. Property

4. Which best meet pensioners' needs where the required return should equal or exceed price inflation, with minimal risk of capital loss?

1. Index linked bonds
2. Equity
3. Property

5. Are the following statements true or false?

(i) In defined benefit schemes it is becoming more common for members (as well as employers) to be asked to increase their contributions to help improve scheme funding levels.

(ii) A defined contribution scheme does not carry the same risk to the employer as a defined benefit scheme, as they are only obliged to pay the promised contribution level.

6. When approaching retirement, investments in a lifestyle fund are likely to be held in which type of funds (choose two):

1. Equities
2. Bonds
3. Cash
4. Property

7. Which of the following is correct?

1. The Pensions Act 2011 requires the statement of investment principles to be reviewed every 3 years
2. The Pensions Act 2004 requires the statement of investment principles to be reviewed every 3 years
3. The Pensions Act 2004 requires the statement of investment principles to be reviewed every 2 years
4. The Pensions Act 2011 requires the statement of investment principles to be reviewed every 2 years