**File: Ch12, Chapter 12, Employee Benefits**

**TRUE-FALSE**

1. Fortunately, the cost of employee benefits to organizations has remained stable over the last thirty years.

Ans: False

2. Benefits as a whole do not directly affect a worker’s performance.

Ans: True

3. Health insurance and retirement plans are examples of voluntary benefits.

Ans: True

4. Unemployment compensation and workers’ compensation are examples of voluntary benefits.

Ans: False

5. To be eligible for Social Security, employees must be employed for a minimum of 80 quarters or 20 years of work.

Ans: False

6. Employee insurance that provides some income continuation in the event an employee is laid off is called worker’s compensation.

Ans: False

7. A preferred provider organization provides for continued employee benefits up to three years after an employee leaves a job.

Ans: False

8. When the Pension Benefit Guaranty Corporation takes over an underfunded pension plan, if there aren’t enough assets in the pension plan to pay the retirement obligations, then taxpayers will make up the difference.

Ans: True

9. A retirement program that pays retiring employees a fixed retirement income based on average earning over a period of time is a defined contribution plan.

Ans: False

10. U.S. workers have, on average, 10 days of vacation per year.

Ans: False

11. Employees in Japan have 10 paid vacation mandated days.

Ans: True

12. Flexible benefit plans, although more expensive to the organization, provide more choice to the workforce.

Ans: False

13. With a flexible spending account, an employee will take home less spendable pay.

Ans: False

14. A 2011 survey found that as many as 70 percent of American workers didn’t take all of their vacation time.

Ans: True

15. Life insurance is one of the least common, but most popular voluntary benefits an employer can offer.

Ans: False

**MATCHING KEY TERMS AND DEFINITIONS**

16. A retirement plan pays retiring employees a fixed retirement income based on average earnings over a period of time.

Ans: o) Defined benefit plan

17. Retirement, disability, and survivor benefits, paid by the government to aged, former members of the labor force, the disabled, or their survivors.

Ans: i) Social Security

18. Allows employees to set aside money before payroll taxes to pay heath-care or dependent care.

Ans: n) Flexible spending accounts

19. Employee insurance which provides some income continuation in the event an employee is

injured on the job.

Ans: e) Workers’ compensation

20. Combines a health plan with a high deductible with a health savings account that the insured uses to pay for deductibles and medical care.

Ans: m) Consumer driven health plan (CDHP)

21. Membership-based, nonfinancial rewards offered to attract and keep employees.

Ans: k) Employee benefits

22. Employee benefits mandated by law.

Ans: g) Legally required benefits

23. Organization that requires using specific physicians and health-care facilities to contain the rising costs of health care.

Ans: j) PPO

24. Provides comprehensive health services for a flat fee.

Ans: c) Health Maintenance Organization

25. Law passed in 1974 designed to protect employee retirement benefits.

Ans: l) ERISAl

26. An ERISA requirement of explaining to employees their pension program and rights.

Ans: a) Summary Plan Description

27. A type of retirement program whereby each employee has an individual account to which both the employee and the employer may make contributions.

Ans: b) Defined contribution plan

28. A benefits program in which employees are permitted to pick benefits that most meet their needs.

Ans: d) Flexible benefits

29. Benefits offered to an employee’s “live-in” partner.

Ans: f) Domestic partner benefits

30. Employee insurance which provides some income continuation in the event an employee is laid off.

Ans: h) Unemployment compensation

**FILL-IN-THE-BLANKS**

31. \_\_\_\_\_\_\_\_\_\_ is one of the most important benefits for employees because of the tremendous increases in cost.

Ans: Health insurance

32. The \_\_\_\_\_\_\_\_\_\_ requires organizations with 50 or more employees to provide eligible employees the opportunity to take up to 12 weeks of unpaid leave each year for family or medical reasons.

Ans: Family and Medical Leave Act

33. The \_\_\_\_\_\_\_\_\_\_ provides for continued employee benefits up to three years after an employee leaves a job.

Ans: Consolidated Omnibus Budget Reconciliation Act (COBRA)

34. The Pension Benefit Guaranty Corporation lays claim to an organization’s assets to fund pension programs under \_\_\_\_\_\_\_\_\_\_\_.

Ans: ERISA

35. A \_\_\_\_\_\_\_\_\_\_ is a retirement program that pays retiring employees a fixed retirement income based on average earnings over a period of time.

Ans: defined benefit plan

36. The \_\_\_\_\_\_\_\_ of flexible benefits is a system whereby employees choose a predesigned package of benefits.

Ans: modular plan

37. \_\_\_\_\_\_\_\_\_ provides some health insurance coverage through the federal Medicare program.

Ans: Social Security

38. \_\_\_\_\_\_\_\_\_ is a program whereby employees are presented with a menu of benefits and asked to select, within monetary limits imposed, the benefits they desire.

Ans: Flexible benefits

39. One of the most popular types of short-term disability is a company’s \_\_\_\_\_\_\_\_\_ plan.

Ans: sick leave

40. A \_\_\_\_\_\_\_\_\_\_ provides comprehensive health services for a flat fee.

Ans: Health Maintenance Organization

**MULTIPLE CHOICE**

41. Today, benefit and service offerings add nearly \_\_\_\_\_\_\_\_\_ to an organization payroll costs.

a) 20%

b) 30%

c) 40%

d) 50%

e) 60%

42. Why do organizations offer domestic partner benefits?

a) Maid service frees up employee time for more recreational activities.

b) Living arrangements and family definition differ today from those in any other time in our history.

c) Companies are legally required to do so.

d) Health care benefits are an inexpensive way to recruit good workers.

e) Global standards require it.

43. Which of the following is NOT a legally required benefit?

a) Health insurance

b) Social Security

c) Unemployment compensation

d) Workers’ compensation

e) Unpaid family and medical leave

44. Which of the following is NOT true regarding Social Security?

a) Social Security provides a source of income for American retirees, disabled workers, and surviving dependents of workers who have died.

b) Social Security provides some health insurance coverage through the federal Medicare program.

c) Social Security is financed only by the employer contributions.

d) To be eligible for Social Security, employees must be employed for a minimum of 40 quarters.

e) Social Security benefits vary based on the previous year’s inflation, additional earnings, and recipient age.

45. Unemployment compensation laws provide benefits to those meeting the following conditions EXCEPT

a) individuals are without a job due to layoffs.

b) individuals are without a job due to discharges for gross misconduct.

c) individuals have applied to their state employment agency for unemployment compensation.

d) individuals have registered for available work.

e) individuals are willing and able to accept any suitable employment offered through their state unemployment compensation commission.

46. At the Federal level, the unemployment tax (called FUTA) is \_\_\_\_\_\_\_\_\_ on the first $7,000 of earnings of employees.

a) 3.0%

b) 4.2%

c) 5.4%

d) 6.0%

e) 7.2%

47. All of the following statements about workers’ compensation are accurate EXCEPT:

a) Workers’ compensation is counted as part of labor expenses due to the accountability factor.

b) Cost of workers’ compensation is shared between the employee and the employer.

c) Workers’ compensation benefits are based on fixed schedules of minimum and maximum payments.

d) Some states allow employers to self-insure for workers’ compensation.

e) Some states provide a required insurance system for handling workers’ compensation.

48. Andre, a pizza maker, fell against an oven and injured his hand. His company was reluctant to file a workers’ compensation report for this injury. Why?

a) Insurance rates are computed based on the organization’s accident experience.

b) Workers’ compensation is designed to provide income for employees who are between jobs, not for injuries.

c) Hand injuries are not covered under this legislation.

d) Workers’ compensation benefits are paid to surviving relatives. John did not die.

e) John’s company self-insured with a private company.

49. Mustafa, a 40-year old accountant, works for a large manufacturing firm. Mustafa's wife, Ana, paid nothing for the authorized baby immunizations for their children, Amy and Louise. Amy and Louise receive well-child pediatric care for $5 per visit. When Amy broke her leg last spring, all expenses were covered. Mustafa wants to switch coverage, because his family has to go to the Northside Clinic for all of their nonemergency care and that he has to pay 100% for surgery that was not preauthorized. What kind of health insurance does Mustafa have?

a) Traditional

b) HMO

c) PPO

d) HIPPA

e) COBRA

50. Jose, a 40-year old accountant, works for a large manufacturing firm. Jose says it is well worth the more than $500 monthly premium to have his choice of physicians and locations. All of their physicians have agreed to accept payment of Usual, Customary, and Reasonable fees. What kind of health insurance does Jose have?

a) Traditional

b) HMO

c) PPO

d) COBRA

e) HIPPA

51. Most U.S. organizations today offer some health insurance coverage to their employees. In 2011, the average employer health care costs were \_\_\_\_\_\_\_\_ per hour.

a) $10.32

b) $9.21

c) $11.21

d) $8.95

e) $10.41

52. Maizie, a charge nurse in a large hospital, is frustrated with a phone call. She is thumbing through Joe’s file, looking for a patient consent signature before she can answer questions from Joe’s secretary, “How is Joe?” What health issue is relevant to Maizie’s predicament?

a) Traditional

b) HMO

c) PPO

d) COBRA

e) HIPPA

53. Emmanuel worked for a large manufacturing firm in Detroit. Last year, he moved to the Southwest for his daughter’s health and has continued to provide health care coverage for his family. He is concerned, because he needs to find a new job in the next 2 years, or his coverage will be cancelled. What kind of health insurance does Emmanuel have?

a) Traditional

b) HMO

c) PPO

d) COBRA

e) HIPPA

54. Which of the following piece of legislation ensures confidentiality of employee health information?

a) COBRA

b) HMO

c) HIPPA

d) ERISA

e) PPO

55. Which of the following pieces of legislation provides for continued employee benefits up to three years after an employee leaves a job?

a) COBRA

b) HMO

c) HIPPA

d) ERISA

e) PPO

56. Donna, a 45-year-old bank manager, is married to Darren, a 40-year-old economist with a real estate development firm. They currently waive all optional portions of Donna’s retirement package. Darren received a letter from his employer stating that the firm is changing retirement and benefits plans the first of the year. How can they determine which of their company pension retirement benefits plans should be changed or kept?

a) Social Security Administration Review

b) COBRA

c) Summary Plan Description

d) HIPPA

e) Pension Benefit Guaranty Corporation Publications

58. A large publishing house decided to voluntarily terminate its pension program. What protection do its employees and retirees have?

a) If the firm is located in California, such action is illegal.

b) The SPD will supply 90% of accrued pension benefits until all recipients are eligible for Social Security retirement benefits.

c) The PBGC will lay claim of up to 30% of the corporation's assets to pay benefits that have been promised to employees.

d) There is no protection for employees.

e) COBRA will cover 30% of the benefits that have been promised to employees.

59. Rajiv works for a major private employer. Each year, he contributed a substantial amount to a retirement benefit plan. The employer matches these pre-tax dollars up to 6% of his income. What kind of retirement program does Rajiv have?

a) Defined benefit plan

b) Profit-sharing plan

c) Money purchase pension plan

d) 401(k)

e) 403(b)

60. Which of the following is NOT a type of defined contribution plan?

a) Money purchase pension plan

b) Profit-sharing plan

c) IRA

d) SPD

e) 401(k)

61. Which of the following is the organization that lays claim to corporate assets to pay or fund inadequate pension programs?

a) SPD

b) HIPPA

c) PBGC

d) IRA

e) ERISA

62. Jose works for a toy manufacturer that invests an amount equal to a certain percentage of his pay each year into a trust fund account. His firm has contributed to this optional program every year, even when they lost money. His fund usually receives the 25% maximum allowed by law. What kind of retirement program does Jose have?

a) Defined benefit plan

b) 403(k)

c) Money purchase pension plan

d) Profit-sharing plan

e) Roth Individual Retirement Account

63. Two types of individual retirement accounts are:

a) money purchase IRA and profit-sharing IRA.

b) SEP and money purchase.

c) profit-sharing and SIMPLE IRA.

d) SEP IRA and SIMPLE IRA.

e) defined benefit and defined contribution.

64. Which of the following is a retirement program that pays retiring employees a fixed retirement income based on average earnings over a period of time?

a) Defined benefit plan

b) Keogh plan

c) Defined contribution plan

d) IRA plan

e) Roth IRA plan

65. U.S. workers enjoy on average \_\_\_\_\_\_\_ days of vacation each year.

a) 5

b) 10

c) 15

d) 20

e) 25

66. A 2011 survey that found that as many as \_\_\_\_\_ percent of American workers didn’t take all of their vacation time.

a) 50

b) 70

c) 95

d) 33

e) 25

67. In Japan, employees receive an average of \_\_\_\_\_\_ days of vacation each year.

a) 15

b) 20

c) 25

d) 30

e) 45

68. Sick leave, holiday leave, and long-term disabilities are grouped together as

a) intrinsic job enhancement.

b) retirement benefits.

c) paid time off.

d) health preservation benefits.

e) long-term maintenance.

69. In Germany, paid vacation mandated are \_\_\_\_\_.

a) 4 weeks

b) 6 days

c) 2 weeks

d) 10 days

e) 24 days

70. Vinita, a nurse, broke her hand tending a patient. She has used up her annual sick leave and will be unable to work for six more weeks. She is receiving pay for her time not worked through which benefit plan?

a) Employee assistance

b) Worker's replacement

c) Short-term disability

d) Company sick leave

e) Long-term disability

71. Jermaine, a janitor, fell from a ladder while he was changing a light bulb and hurt his leg and shoulder. As a result, he has been unable to work for the past five years and is drawing 60% of his salary. Under what benefit plan is he covered?

a) Wellness

b) Short-term disability

c) Keough

d) Long-term disability

e) Employee assistance

72. The type of insurance that covers employees lives in the event of death while traveling on company time is \_\_\_\_\_\_\_\_\_.

a) travel insurance

b) group term life insurance

c) mobile insurance

d) disability insurance

e) unemployment insurance

73. All of the following are advantages of offering paid time off (PTO) leave to employees EXCEPT

a) employees can take unused time as additional vacation days.

b) employees do not need to explain to their manager why they taking time off.

c) employees may consider PTO as vacation time and not use it when they are ill.

d) absences are reduced as a PTO day is scheduled in advanced.

e) employees like the flexibility and trust that employers offer with PTO policies.

74. The main reason that companies offer flexible benefits to employees is:

a) to comply with federal wage and hour law regulations.

b) to motivate employees.

c) to save money.

d) to enter new geographical markets.

e) to be product competitive in the global environment.

75. Last year Rebecca set aside $5000 pretax dollars for child care in a flexible spending account. She only used $3200. What happened to the remaining $1800?

a) She received a lump sum payment of $1800 in her first January paycheck.

b) It reverted to her employer.

c) She had to pay taxes on the amount before it was added back to her income.

d) She transferred it to her medical care account.

e) It stays in the account to be used this year, a rollover.

76. Which of the following is a type of flexible benefit plan?

a) IRA

b) 457 plan

c) 401(k)

d) Modular plan

e) 403(b)

77. Denise works for a company that provides PPO medical insurance, short-term disability, 2X life insurance, 2 weeks of paid vacation, and a basic pension plan to all employees. Denise also has the option of purchasing $7000 (amount calculated from 1% of salary X years of service) worth of annual additional benefits from such areas as additional life or health insurance coverage, more retirement, tuition reimbursement, health club memberships, military or jury duty pay, free coffee, company housing, and/or more vacation. What kind of benefits plan is Denise’s company using?

a) Standard

b) Family

c) Modular

d) Core-plus options

e) BASIC

78. Raj, director of benefits for a major manufacturing firm, wants to save costs by moving to a cafeteria plan of flexible benefits. Advise him, as you would if you were an HR benefits expert.

a) Don’t do it. You won’t really save any money.

b) Offer flexible spending accounts for child care and medical expenses.

c) Make sure that employees are able to select exactly what they had before with no additional out of pocket expenses.

d) Offer free desserts in the cafeteria at least one day a week.

e) Let employees choose from a variety of no more than 20 options. Increase their out of pocket expenditures by no more than 7% a year.