

# Qualified Financial Adviser (QFA) Pensions Exam 2 Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

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- 1. What chargeable excess, if any, will arise for James in 2020 when taking benefits from the SSAPS?**
  - A. Nil**
  - B. €687,107**
  - C. €1,000,000**
  - D. €1,500,000**
  
- 2. An annuity provides which type of insurance for the investor?**
  - A. Longevity**
  - B. Mortality**
  - C. Life**
  - D. Serious illness.**
  
- 3. A Certificate of Benefit Comparison is NOT required for a transfer value to be paid in lieu of a preserved benefit from an employer pension scheme to a PRSA if the transfer value is less than which amount?**
  - A. €10,000**
  - B. €12,700**
  - C. €15,000**
  - D. €20,000**
  
- 4. Which one of the following individuals is NOT eligible for the State invalidity pension?**
  - A. Tanya, an employee of a bank**
  - B. Jonathan, a civil servant who joined the public service in 1990**
  - C. Melissa, a self-employed doctor**
  - D. Harry, a working proprietary director of his own company**
  
- 5. Personal savings held outside of a pension arrangement is an example of which pillar of retirement provision?**
  - A. First**
  - B. Second**
  - C. Third**
  - D. Fourth**

- 6. In the context of RACs and PRSAs, which option would not provide the traditional benefit option when drawing benefits from a preserved DC?**
- A. Keep preserved in former scheme**
  - B. Take a transfer value to a Buy-Out Bond**
  - C. Take a transfer value to a PRSA**
  - D. Take a transfer value to your new employer's pension scheme**
- 7. In Saoirse's scenario, when opting for the ARF option, what is the maximum lump sum she can take in total at NRA?**
- A. €66,000**
  - B. €90,000**
  - C. €30,750**
  - D. €114,000**
- 8. What MINIMUM amount of his ex-gratia termination payment will be tax free in the example where the employee has not previously received an ex-gratia termination payment?**
- A. €10,000**
  - B. €15,000**
  - C. €20,000**
  - D. €10,160 plus €765 for each complete year of service**
- 9. Upon maturity of a Retirement Annuity Contract (RAC), what amount, if any, must Evelyn transfer to an AMRF or use to buy an annuity from the RAC maturity?**
- A. €30,000**
  - B. €63,500**
  - C. Nil**
  - D. €43,500**
- 10. The SORP for DC employer pension schemes may be contained in which document?**
- A. Annual Report**
  - B. Annual Benefit Statement**
  - C. Audited accounts**
  - D. Disclosure Statement**

## Answers

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1. A
2. A
3. A
4. B
5. C
6. C
7. C
8. D
9. C
10. B

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## **Explanations**

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**1. What chargeable excess, if any, will arise for James in 2020 when taking benefits from the SSAPS?**

**A. Nil**

**B. €687,107**

**C. €1,000,000**

**D. €1,500,000**

The key idea here is that a chargeable excess only appears if the value crystallised from a pension scheme exceeds the lifetime allowance for that year. The lifetime allowance is the upper cap on tax-advantaged pension savings. If you crystallise an amount within that cap, there's no lifetime allowance charge. In this scenario, the benefits crystallised from the SSAPS in 2020 do not exceed the lifetime allowance, so there is no excess to tax. That means the chargeable excess is zero (nil). If there were an excess, you'd calculate it as the amount by which the crystallised value exceeds the allowance, and the charge would depend on how the excess is taken (typically 25% if taken as pension, 55% if taken as a lump sum).

**2. An annuity provides which type of insurance for the investor?**

**A. Longevity**

**B. Mortality**

**C. Life**

**D. Serious illness.**

Annuities are designed to provide a steady income in retirement to protect against the risk of living longer than your savings will support. This protection against outliving your resources is longevity risk, so annuities are described as longevity insurance. By turning a lump sum into guaranteed payments for life, the investor gains a predictable income stream that lasts as long as they live. Other concepts—mortality or life insurance—relate to protection if someone dies or passes away, and serious illness cover protects health shocks; those are different goals and aren't the primary purpose of a standard annuity. Some products may add riders, but the core idea of an annuity is to insure against running out of funds due to longevity.

**3. A Certificate of Benefit Comparison is NOT required for a transfer value to be paid in lieu of a preserved benefit from an employer pension scheme to a PRSA if the transfer value is less than which amount?**

**A. €10,000**

**B. €12,700**

**C. €15,000**

**D. €20,000**

The key idea is that a Certificate of Benefit Comparison (COBC) is normally needed to compare benefits when transferring a preserved benefit to a PRSA, but there's a threshold below which the regulator allows this COBC to be avoided to simplify small transfers. That threshold is €10,000. So if the transfer value is less than €10,000, a COBC is not required. The other amounts aren't the threshold because they would represent higher limits; transfers below those levels would still be subject to the COBC rule unless they fall under the €10,000 exemption. For example, a transfer of €9,500 would not require a COBC, whereas a transfer of €11,000 would require one.

**4. Which one of the following individuals is NOT eligible for the State invalidity pension?**

**A. Tanya, an employee of a bank**

**B. Jonathan, a civil servant who joined the public service in 1990**

**C. Melissa, a self-employed doctor**

**D. Harry, a working proprietary director of his own company**

State invalidity pension is a contributory benefit that depends on having enough PRSI contributions and being medically incapacitated for work. The key point is that eligibility hinges on having a sufficient history of PRSI payments and a medical assessment confirming permanent inability to work. Public service employees who joined the civil service under the public service pension system are not covered by the same PRSI-based invalidity provisions as employees in the private sector. Because of that, a civil servant who joined the public service in 1990 would not meet the PRSI-based route to the State invalidity pension, even if they are permanently incapacitated. The other individuals—bank employee, self-employed doctor, and a working proprietary director—have PRSI contributions through their work arrangements and would generally qualify for the pension if they also satisfy the medical incapacity and contribution thresholds. So the person not eligible is the civil servant who joined the public service in 1990.

**5. Personal savings held outside of a pension arrangement is an example of which pillar of retirement provision?**

- A. First**
- B. Second**
- C. Third**
- D. Fourth**

The idea here is the three-pillar structure of retirement provision. Pillar one is the state pension, funded through social contributions and providing a base level of income. Pillar two covers occupational or employer-sponsored pension schemes. Pillar three is private personal savings and investments outside any pension arrangement—the kind you control yourself, such as bank savings, investment funds, or other non-pension investments earmarked for retirement. Personal savings held outside a pension falls squarely into this third pillar because it's not tied to state or employer pension schemes; it's individual savings used for retirement. In some models you'll see a fourth pillar, but the standard classification for this scenario is the third pillar.

**6. In the context of RACs and PRSAs, which option would not provide the traditional benefit option when drawing benefits from a preserved DC?**

- A. Keep preserved in former scheme**
- B. Take a transfer value to a Buy-Out Bond**
- C. Take a transfer value to a PRSA**
- D. Take a transfer value to your new employer's pension scheme**

The traditional benefit option is tied to a contract-based, scheme-style guarantee rather than flexible personal access. Keeping the preserved money in the former scheme maintains the original guarantees and income options provided by that scheme. Transferring to a Buy-Out Bond moves the value to an insured product, which can secure a guaranteed income in retirement, preserving a traditional-style benefit. Moving into your new employer's pension scheme keeps benefits within another employer's scheme framework with its own guaranteed options. Transferring to a PRSA, however, places the pot into a personal pension wrapper focused on flexible access, not the traditional guaranteed benefit structure, so it would not provide the traditional benefit option.

**7. In Saoirse's scenario, when opting for the ARF option, what is the maximum lump sum she can take in total at NRA?**

- A. €66,000**
- B. €90,000**
- C. €30,750**
- D. €114,000**

The key idea is that when you retire and move into an ARF, you can take a tax-free lump sum equal to 25% of the value of your pension fund at retirement. The remaining 75% stays invested to fund the ARF or future withdrawals, which are taxed as income when drawn. In Saoirse's case, the ARF transfer value at retirement is €123,000. Taking 25% of that gives €30,750 as the maximum tax-free lump sum. So, the maximum lump sum she can take at NRA when opting for the ARF option is €30,750. The rest of the fund would remain in the ARF to provide future drawdown.

**8. What MINIMUM amount of his ex-gratia termination payment will be tax free in the example where the employee has not previously received an ex-gratia termination payment?**

**A. €10,000**

**B. €15,000**

**C. €20,000**

**D. €10,160 plus €765 for each complete year of service**

The amount that can be paid tax-free for an ex-gratia termination payment isn't a fixed sum. It consists of a base exemption plus a top-up for each complete year of service. If the employee has not previously received an ex-gratia payment, this full relief is available, so the tax-free portion is determined by the formula: €10,160 plus €765 for every complete year of service. That's why the correct choice is the one that expresses this formula. It captures the idea that the minimum tax-free amount depends on how many complete years of service he has, and includes the base €10,160 plus the per-year addition. For example, with 3 complete years, the tax-free amount would be €10,160 + (€765 × 3) = €12,515. Any amount beyond that would be subject to tax as appropriate. The fixed-number options don't reflect the per-year uplift, so they can't represent the minimum tax-free portion in all cases.

**9. Upon maturity of a Retirement Annuity Contract (RAC), what amount, if any, must Evelyn transfer to an AMRF or use to buy an annuity from the RAC maturity?**

**A. €30,000**

**B. €63,500**

**C. Nil**

**D. €43,500**

When a RAC matures, you have flexibility in how you crystallize the fund. There is no fixed amount that must be transferred to an AMRF or necessarily used to buy an annuity from the RAC maturity. You can choose to purchase an annuity from the RAC, take a lump sum, or transfer into an AMRF/ARF later if you wish. Because there's no mandatory minimum transfer amount at maturity, the correct answer is nil.

**10. The SORP for DC employer pension schemes may be contained in which document?**

**A. Annual Report**

**B. Annual Benefit Statement**

**C. Audited accounts**

**D. Disclosure Statement**

The SORP sets how pension scheme financial information should be presented. For defined contribution employer schemes, this reporting framework is applied to the scheme's own financial statements, which are prepared as part of the scheme's annual report and accounts and are typically included in the audited accounts. The annual benefit statement is a member-facing document detailing individual entitlements, not the scheme's accounting framework, and a disclosure statement covers governance or policy disclosures rather than the SORP. So, the SORP would be found in the audited accounts within the scheme's annual report.

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## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://qfapensions2.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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