

EA-2F

OVERHEADS

FALL 2018

GUIDELINES

1. Old Exams Too Simple
2. Good Multifunction Calculator
3. Calculator “Tricks”
4. Read Questions Carefully
5. $\ddot{a}_{65}^{(12)} \approx \ddot{a}_{65} - \frac{11}{24}$
6. “My Way” versus the “Right Way”
7. Avoid Arithmetic Errors - Compare Answer To Ranges (later - page 8)
8. Know All Conditions - General and Pension

2018 GENERAL CONDITIONS – PLAN PROVISIONS

- 1. “Plan” or “pension plan” means a defined benefit pension plan.**
- 2. The plan is qualified under IRC section 401. Thus, for example, any benefit formulas should be understood to be limited by other plan provisions required by the Code.**
- 3. The normal retirement age is 65.**
- 4. Retirement pensions commence at normal retirement age and are paid monthly for life at the beginning of each month.**
- 5. The plan covers all active employees of the employer; there is no age or service requirement for participation. Thus, when referring to active employees, the terms “employee” and “participant” are synonymous.**

2018 GENERAL CONDITIONS – PLAN PROVISIONS

- 6. There are no, and never have been, mandatory or voluntary employee contributions.**
- 7. Service for purposes of vesting and benefit accrual is credited on the basis of time elapsed since date of hire.**
- 8. When the normal retirement benefit is computed as a dollar amount, or as a percentage of compensation, for each year of service, accrued benefit is defined likewise.**
- 9. Actuarial equivalence is based on interest and mortality table assumed for funding**
- 10. Qualified joint and survivor annuities, qualified preretirement survivor annuities, and other forms of payment are provided in such manner that they result in no cost to the employer.**

2018 GENERAL CONDITIONS – PLAN PROVISIONS

- 11. The plan has not been amended since its effective date.**
- 12. The adoption date of any plan (or amendment) is the same as its effective date.**
- 13. Applicable mortality table and applicable interest rate - as defined in 417(e)(3)**
- 14. Plan is not an “applicable defined benefit plan” (Cash Balance) under 411(a)(13)(C)**

2018 GENERAL CONDITIONS – FUNDING

- 15. Any actuarial valuation encompasses not only all active employees but also retired employees, beneficiaries, and former employees entitled to vested deferred pensions.**
- 16. The valuation date is the first day of the plan year; i.e., participant data, present values, asset values, etc. are as of that date. Also, normal costs are payable annually, the first being due on the valuation date.**
- 17. The assumed retirement age is the normal retirement age.**
- 18. There are no pre-retirement decrements.**

(many exam conditions not shown)

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2018 MISCELLANEOUS CONDITIONS

- 50. Code and regulations through May 31, 2018 (including proposed regulations)**
- 51. The plan is sponsored by a single employer; the sponsoring employer is not a member of a controlled group**
- 52. The plan is not established or maintained in connection with a collectively bargained agreement**
- 53. Employees subject to a collective bargaining agreement are non-professional. Plan coverage for CBA employees is due to the CBA**
- 54. The plan year, the employer's limitation year, and the employer's tax year are all the calendar year**
- 55. Employer has never maintained a defined contribution plan or other defined benefit plan. No employee has been covered under another plan which had to be aggregated with the employer's plans under IRC 415**

2018 MISCELLANEOUS CONDITIONS

- 56. Test that compensation values < 401(a)(17) limit (if given sufficient information)**
- 57. Test that plan benefits < 415 limits (if given sufficient information)**
- 58. Plan is covered by PBGC**
- 59. Assume "union" == "collectively bargained"**
- 60. Plan sponsor has never been in bankruptcy**
- 64. The plan has not been top-heavy in any year**
- 65. Plan sponsor did not elect funding relief under PRA 2010**
- 66. Multiemployer plan never applied for approval to suspend benefits under IRC 432(e)(9)**

IMPLIED RANGES

Sample Answer Ranges:

- A. <10,000
- B. 10,000 - 10,500
- C. 10,500 - 11,000
- D. 11,000 - 11,500
- E. 11,500 ++

Which answers may be the result of arithmetic errors?

5,000	9,000
9,800	12,500

IMPLIED RANGES HISTORICAL ANALYSIS

Number of questions where numerical answer is outside of A/E implied ranges

SPRING EA-1 EXAMS: never

FALL EA-2 EXAMS: rarely (pre-1990)

CONCLUSION:

You can know when an A/E answer is bogus.
Answers should fall within implied range!

COST METHOD PROBLEMS (EA-1B) BY TYPE

Problem Type	2017 Exam	2016 Exam	2015 Exam	2014 Exam	2013 Exam	2012 Exam	2011 Exam	2010 Exam	2009 Exam	2008 Exam	2007 Exam
Unit credit											
E.A.N.	22, 25	15, 41, 43	03, 07, 39	43	45, 54			49			
I.L.P.											
AGG					34	06, 45	35		35		
FIL	41	07	26	39		34	30				
AAN											
Indiv AGG											
PUC	23, 39	20, 21	22, 29	03, 12, 20		24					
EECWI					29, 56	53					
Side Fund											
G&L: AGG				48		32, 35			26, 36 56		09
G&L: Source		45, 49	28	28	19	19, 41	46	15, 24	32, 43 47	45	14, 31 43
J & S											
L.I.B.											
Ancillary	17	34	37	14	30, 51	20	26	35, 44	51	14, 34 46	33, 34
Other											

EA-2F VERSUS EA-2 EXAMS

EA-2F EXAM

OLD EA-2 EXAM

1 point True/False	1 point True/False
2-5 points all other	4 points all other
160 points total	140 points total
4.0 hours - 240 min	4.0 hours - 240 min
Average 1.5 min / pt	Average 1.7 min / pt

2015 Pass mark 112.0 points, 70.0% correct
2016 Pass mark 109.0 points, 68.1% correct
2017 Pass mark 112.0 points, 70.0% correct

- **KEY** - smartest 45% of students will pass
- Passing score varies (exam harder / easier)
- No penalty for wrong answers
- Don't leave any blank answers

OPENING / CLOSING COMMENTS

- READ** Internal Revenue Code and regulations (not just outlines)
- WORK** Prior exam problems (5+ years) and practice problems
- EXPECT** Similar problems as last 2 years
- STUDY** "New stuff" in last 2 years' exams
- REVIEW** Lengthy exam solutions give background of WHY - not just HOW to solve problem
- EMAIL** Follow-up questions, clarifications after the seminar

SUMMARY OF OVERHEAD SECTIONS

- A. Introduction
- B. Cost Methods
- C. Employee Contributions
- D. Gains and Losses
- E. Optional Forms of Benefit Payment
- F. Ancillary Benefits
- G. End of Year Valuation
- H. Yield Curve + Segment rates
- I. Yield Curve - Present Value Calculations
- J. IRC 430 Minimum Contributions
- K. IRC 430(i) At-Risk Plans
- L. IRC 430(j) Quarterly Contributions
- M. IRC 436 - Benefit Restrictions
- N. IRC 412 - Waivers
- O. IRC 404(o) Maximum Deductible Limit
- P. IRC 417(e) - Cash out restrictions
- Q. IRC 431 - Multiemployer Plans
- R. IRC 432 - Multiemployer Plans
- S. IRC 404 - Multiemployer Plans
- T. IRC 414(l) - Mergers and Spinoffs

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