

**JOINT BOARD FOR THE ENROLLMENT OF ACTUARIES
AMERICAN SOCIETY OF PENSION PROFESSIONALS AND
ACTUARIES**

SOCIETY OF ACTUARIES

EXAMINATION PROGRAM

MAY 2013 BASIC (EA-1) EXAMINATION

MAY 2013 PENSION EA-2 (SEGMENT L) EXAMINATION

NOVEMBER 2013 PENSION EA-2 (SEGMENT F) EXAMINATION

**March 2013
Revised March 13, 2013**

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INTRODUCTION

The Joint Board for the Enrollment of Actuaries administers two actuarial examinations that must be successfully completed by individuals to satisfy the actuarial knowledge requirement for the designation of Enrolled Actuary.

The actuarial knowledge requirement for enrollment is augmented by a requirement that a candidate have certain responsible pension actuarial experience. Through a combined knowledge and experience requirement, the Joint Board seeks to determine which applicants for the designation of Enrolled Actuary have the skills necessary to protect the interests of pension plan participants.

The examinations are structured as follows:

The EA-1 examination is two-and-one-half hours in length and covers (1) the mathematics of compound interest and practical financial analysis and (2) the mathematics of life contingencies and practical demographic analysis.

The pension (EA-2) examination consists of two segments:

- (a) The EA-2 (Segment L) law examination (formerly EA-2(Segment B)) is two-and-one-half hours in length and covers relevant pension laws (in particular the provisions of the Employee Retirement Income Security Act (ERISA) and related laws, regulations, and rulings) as they affect pension actuarial practice. The EA-2 (Segment L) examination presupposes knowledge of the topics covered in the EA-1 examination.
- (b) The EA-2 (Segment F) examination (formerly EA-2(Segment A)) is four hours in length and covers the selection of actuarial assumptions and calculation of minimum required and maximum tax-deductible contributions under current pension law, along with the related actuarial mathematics. The EA-2 (Segment F) examination presupposes knowledge of the topics covered in the EA-1 and EA-2 (Segment L) examinations.

The EA-1 and the EA-2 (Segment L) examinations are given each May; the EA-2 (Segment F) examination is given in November.

A candidate for enrollment may be able to satisfy part of the actuarial knowledge requirement of the Joint Board regulations by earning a degree in actuarial mathematics or its equivalent from an accredited college or university. Such candidates will not have to pass the EA-1 examination. The courses in the plan of study and their successful completion must comply with guidelines adopted by the Joint Board for determining what demonstrates the requisite knowledge. The Joint Board will grant a waiver of the EA-1 examination to any candidate who received credit from the Society of Actuaries (SOA) for Courses FM and MLC of the SOA's education and examination program. Under either approach, the candidate must apply to the Joint Board for a waiver of the EA-1 examination as outlined on the Joint Board website at <http://www.irs.gov/taxpros/actuaries/article/0,,id=97444,00.html>.

Both the EA-1 and EA-2 actuarial examinations consist solely of multiple-choice questions. Each question will be assigned from one to five points. Point values for each question will be shown at the beginning of the question. The score on each examination is based on the questions answered correctly; no credit is given for omitted answers and no credit is deducted for wrong answers.

ALL EXAMINATIONS

Most examination questions require arithmetical computations. Each candidate should bring an electronic calculator to the examination center for use in performing computations. Calculators should be able to compute financial functions such as amortization payments, present and future values, interest rates, time periods, logarithmic functions, and exponential functions. Calculators are subject to the following conditions:

The examination supervisor will ascertain that all calculators:

- have self-contained power sources,
- are noiseless, and
- do not have the capability to retain text.

A candidate generally will be allowed to take the examination using a questionable calculator. However, any questions raised as to the appropriateness of a calculator will be noted on the supervisor's report along with the candidate's number and the make and model number of the calculator; a determination will be made later as to whether the calculator was permissible.

Candidates are solely responsible for the proper functioning and operation of their calculators during the examination. In addition, candidates must indicate on their examination answer sheets both the make and the model number of any calculator used.

The use of a calculator that does not meet the conditions above constitutes an irregularity and may be sufficient cause for disqualification from the examination.

In preparing the examinations, great care is taken so that each question has one and only one correct answer based on the data given. Each question is reviewed by all members of the Advisory Committee on Actuarial Examinations and by representatives of the sponsoring organizations. Nevertheless, because mistakes can occur, a request for consideration of an alternative answer to a given question, or for disregarding a question, will be entertained by the Joint Board but only under the following conditions:

An appeal must be made in writing and postmarked not later than six months after the examination was administered.

The appellant must describe in detail the fault found with the question and an alternative answer if one is claimed.

In the case of claimed ambiguity, credence will be given to an alternative interpretation only to the extent that such interpretation is one that might be reasonably made and is not strained in the light of attendant circumstances. This policy is of positive benefit to most candidates; otherwise, it would be necessary to burden each question with numerous qualifications and stipulations that the qualified practitioner does not require and which would make the question more difficult to read.

Not all topics listed in the syllabus of this examination program are necessarily covered on any particular year's examination, nor are the examination questions necessarily confined solely to the listed topics or suggested readings. Also, it is assumed that all candidates are familiar with the basic concepts and techniques of algebra and calculus.

Candidates are urged to develop a thorough understanding of the conditions generally or specifically applicable to all examination questions as set forth later in this examination program. Conditions for each examination will be included in the applicable examination booklets.

In addition, candidates should familiarize themselves with the list of limits, tables, and formulas applicable to the EA-2 (Segment F) and EA-2 (Segment L) examinations, as set forth in this program. A copy of the appropriate list will also be included in the respective examination booklet.

IMPORTANT NOTICES AND CHANGES FROM PREVIOUS PROGRAMS

Because of their importance to pension actuarial practice, any PROPOSED regulations under IRC sections 430, 432, and 436 that are published before the May 31 preceding the EA-2 (Segment A) examination or November 30 preceding the EA-2 (Segment L) examination will be included in the Suggested Readings. If final regulations are issued after those dates but prior to the examinations, to the extent there is a conflict in the provisions between the proposed regulations and the final regulations, answers will be accepted based on either set of regulations.

EFFECTIVE WITH THE 2013 ENROLLMENT EXAMINATIONS

- EA-2 (Segment B) is renamed EA-2 (Segment L) [meaning “Law”]; and
- EA-2 (Segment A) is renamed EA-2 (Segment F) [meaning “Funding”]

Through the 2012 exam sittings, the assumed normal sequence of taking examinations was:

EA-1 → EA-2 (Segment A) → EA-2 (Segment B)

That is, EA-2 (Segment A) *presupposed* knowledge of the topics covered in the EA-1 examination and EA-2 (Segment B) *presupposed* knowledge of the topics covered in the EA-1 examination and in the EA-2 (Segment A) examination.

Under the 2013 revision, the legal aspects of pensions will be tested before the applications of the law (for example, funding and tax deduction) are tested, which means that **starting in 2013, the assumed normal sequence of taking examinations is:**

EA-1 → EA-2 (Segment L) → EA-2 (Segment F)

In addition, starting with the 2013 exam sittings, **EA-2 (Segment L) *presupposes* knowledge of the topics covered in the EA-1 examination and EA-2 (Segment F) *presupposes* knowledge of the topics covered in the EA-1 examination and in the EA-2 (Segment L) examination.**

The exam dates have not changed: EA-1 and EA-2 (Segment L) will continue to be given in May each year; EA-2 (Segment F) will be given in November each year.

While, in general, the topics covered in each of the segments will be unchanged, there may be changes to the suggested reading list to reflect that the legal aspects of pensions are emphasized in EA-2 (Segment L) and that the funding and tax deduction aspects of pensions are emphasized in EA-2 (Segment F).

A candidate may take the examinations in any sequence desired, but it is important for a candidate to recognize that material from EA-1 is assumed for EA-2 (Segment L) and that material from both EA-1 and EA-2 (Segment L) is assumed for EA-2 (Segment F). The “assumed information” between exams could affect the order in which a candidate chooses to sit for these examinations.

BASIC EA-1 EXAMINATION

MAY 2013

The EA-1 examination is two-and-one-half hours in length and covers (1) the mathematics of compound interest and practical financial analysis and (2) the mathematics of life contingencies and practical demographic analysis.

Questions on the Basic EA-1 examination may contain commutation functions. **Candidates are expected to understand and be able to use commutation functions.** Candidates who are not familiar with commutation functions may wish to read the SOA Study Note "[Commutation Functions](#)".

SYLLABUS

Mathematics of Compound Interest and Financial Analysis

Nominal and effective rates of interest and discount, force of interest, accumulated value factors, and present value factors.

All forms of annuities including, but not limited to annuities certain, increasing and decreasing annuities, annuities in which the payment frequency is not the same as the frequency at which interest is compounded, and perpetuities.

Amortization schedules and sinking funds, including the determination of outstanding principal, the split of payments into principal and interest, and the determination of required periodic payments.

Bonds and related securities, including bond price formulas, bond accounting, the split of periodic payments into amortization and interest, mortgages, and variable interest securities.

Determination of fund yield rates and effective rates of return using time-weighted and dollar-weighted methods.

Duration and immunization of cash flows.

Asset reporting, including realized and unrealized gains/losses, asset reconciliation, book value versus market value, and receivables.

Financial analysis, including inflation and its role, elements of risk and uncertainty, yield curves and available investments, and employee compensation increases.

Mathematics of Life Contingencies and Demographic Analysis

Measurements and demographic analysis of mortality, including the definition and application of standard mortality probability symbols and force of mortality.

Approximation of fractional period decrements using a uniform distribution assumption.

Measurement and demographic analysis of disability, employee turnover and employee retirement, including construction of single and multiple decrement tables.

Adjustments to mortality, disability, turnover and retirement rate tables, such as age setbacks and set forwards, select and ultimate tables, projection scales and generation adjustments.

Life annuities, including life annuities with a term certain.

Population theory, including complete and curtate expectation of life, central death rates, stationary population, and average ages in a stationary population.

Multiple life functions, probabilities and annuities.

Multiple decrement functions, including associated single decrement tables, probabilities of decrement and the construction of multiple decrement tables from associated single decrement tables.

Principles of actuarial equivalence and related calculations.

One-year term costs for ancillary benefits.

Life insurance, including basic forms, single and annual premiums, varying insurance, and insurance and annuity relationships.

SUGGESTED READINGS FOR EA-1

The Advisory Committee on Actuarial Examinations believes that most (if not all) of the topics in the syllabus are covered in one or more of the following sources. There is a great deal of overlap among the following references. Candidates do not need to use them all. The references listed below are to identify available resources from which the candidate may select. This list is not meant to describe or modify the syllabus listed above.

Batten, R.W. *Life Contingencies: A Logical Approach to Actuarial Mathematics*, (2009); ACTEX Publications, P.O. Box 974, Winsted, CT 06098. **(This is strictly a supplement to *Actuarial Mathematics* and would be found to be of little value in the absence of a prior, detailed study of that text.)**

Bowers, N.L. et. al., *Actuarial Mathematics*, (Second Edition–1997) (excluding Chapters 1, 2, 12, 13, 14, and 15); Society of Actuaries, 475 N. Martingale Road, Suite 600, Schaumburg, IL 60173-2226.

Brown, R.L., *Introduction to Mathematics of Demography*, (Third Edition–1997), Chapters 3-5; ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Broverman, S.A., *Mathematics of Investment and Credit*, (Fourth Edition–2008); ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Cunningham, R.J., Herzog, T.N, London, R.L., *Models for Quantifying Risk*, Chapters 1, 5, 6, 9-15; ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Jordan, C.W., *Life Contingencies*, (Second Edition–1967, Second Printing 2003); Society Of Actuaries, 475 N. Martingale Road, Suite 600, Schaumburg, IL 60173-2226

Kellison, S.G., *The Theory of Interest*, (Third Edition–2008); McGraw-Hill, 6350 Crested Butte Circle, Colorado Springs, CO 80919

London, D., *Survival Models and Their Estimation*, (Third Edition–1997), Chapters 1, 3-6, 8-9; ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Parmenter, M.M., *The Theory of Interest and Life Contingencies with Pension Applications: A Problem-Solving Approach*, (Third Edition–1999); ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Zima, P. and Brown, R.L., *Mathematics of Finance* (2001), (Fifth Edition); McGraw-Hill Ryerson Limited, 300 Water Street, Whitby, ON, L1N 9B6

[Actuarial Standard of Practice, No. 27](#), “Selection of Economic Assumptions for Measuring Pension Obligations”

[Actuarial Standard of Practice, No. 35](#), “Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations”

SOCIETY OF ACTUARIES STUDY MATERIAL

The Society of Actuaries has developed various study notes for the use of students preparing for its examinations on these subjects. These study notes are revised periodically, and new study notes may be added.

[Measurement of Investment Return](#)

[Actuarially Equivalent Benefits](#)

[Commutation Functions](#)

It should be realized, however, that such material was not necessarily drawn up with the particular nature of the Joint Board examinations in mind.

CONDITIONS GENERALLY APPLICABLE TO ALL EA-1 EXAMINATION QUESTIONS

If applicable, the following conditions should be considered a part of the data for each question, unless otherwise stated or implied:

- (1) The normal retirement age is 65.
- (2) Retirement pensions commence at normal retirement age and are paid monthly for life at the beginning of each month.
- (3) There are no pre-retirement death or disability benefits.
- (4) Actuarial equivalence is based on the mortality table and interest rate assumed for funding purposes.
- (5) Interest rates that are compounded more frequently than annually are expressed as nominal rates.
- (6) Where multiple lives are involved, future lifetimes are assumed to be independent of each other.
- (7) The term “gross single premium” is equivalent to “contract single premium;” the term “net single premium” is equivalent to “single benefit premium;” the term “gross annual premium” is equivalent to “annual contract premium;” the term “net annual premium” is equivalent to “annual benefit premium.”
- (8) There are no policy loans in effect.
- (9) For a bond, the face amount and the redemption value are the same.
- (10) Interest rate equals yield rate.
- (11) The term “duration” means “Macaulay duration”.

PENSION EA-2 (SEGMENT L) EXAMINATION

MAY 2013

The EA-2 (Segment L) examination is two-and-one-half hours in length and covers relevant pension laws (in particular the provisions of the Employee Retirement Income Security Act (ERISA) and related laws, regulations, and rulings) as they affect pension actuarial practice. The EA-2 (Segment L) examination presupposes knowledge of the topics covered in the EA-1 examination.

Questions on the Pension EA-2 (Segment L) examination may contain commutation functions. **Candidates are expected to understand and be able to use commutation functions.** Candidates who are not familiar with commutation functions may wish to read the SOA Study Note "[Commutation Functions](#)".

SYLLABUS

Requirements with respect to vesting, service credits, employee contributions, accrued benefits, normal retirement.

Requirements with respect to and adjustments for early retirement, postponed retirement, joint and survivor annuities, and pre-retirement death benefits.

Determination of benefits, including permitted disparity.

Maximum benefit limitations.

Determination of top-heavy status; additional requirements with respect to top-heavy plans.

Funding-based limits on benefits and benefit accruals under single-employer defined benefit plans.

Nondiscrimination requirements including those related to plan participation, coverage, and permitted disparity.

Requirements with respect to reporting and disclosure, including underfunded plans, reductions in future benefit accruals, and reportable events.

PBGC premium requirements.

Plan termination requirements including standard and distress terminations, involuntary terminations, missing participants, guaranteed benefits, allocation of assets, plan liability and employer liability.

Withdrawal liability under multiemployer plans.

Prohibited transactions and fiduciary standards.

Excise taxes other than for funding requirements.

Standards of performance and professional conduct for enrolled actuaries.

SUGGESTED READINGS FOR EA-2 (SEGMENT L)

Pension law and IRS promulgations can be found in publications of Warren, Gorham & Lamont, Commerce Clearing House, Maxwell Macmillan, Research Institute of America, and similar organizations. This list is not meant to describe or modify the syllabus listed above.

Employee Retirement Income Security Act of 1974 (ERISA), as amended through November 30, 2012

Current PBGC Comprehensive Premium Payment Instructions

INTERNAL REVENUE CODE SECTIONS, ALL AS AMENDED THROUGH NOVEMBER 30, 2012

- 318 Constructive Ownership of Stock
- 401 Qualified Plans – definition
Excluding subsections – (f),(g),(i),(m),(n),(o)
- 410 Minimum Participation Standards
Excluding subsections – (c),(d)
- 411 Minimum Vesting Standards
Excluding subsections – (e)
- 413 Collectively Bargained Plans, etc.
- 414 Definitions and Special Rules – controlled group, multiemployer, mergers, HCE, SLOB,
compensation
Excluding subsections – (d), (e), (u), (w)
- 415 Limitations on benefits & contributions, excluding subsections – (m), (n)
- 416 Top heavy rules
- 417 Minimum Survivor Annuity Requirements
- 420 Transfers of excess pension assets to retiree health or applicable life insurance accounts
- 436 Funding based limits on benefits and benefit accruals under single employer defined benefit plans
- 1563 Definitions and Special Rules
- 4974 Excise Tax on Certain Accumulations in Qualified Retirement Plans
- 4975 Tax on Prohibited Transactions
- 4980 Tax on Reversion of Qualified Plan Assets to Employer
- 4980F Failure of Applicable Plans Reducing Benefit Accruals to Satisfy Notice Requirements
- 6057 Annual Registration
- 6058 Information Required in Connection with Certain Plans of Deferred Compensation
- 6059 Periodic Report of Actuary

Joint Board regulations (20 CFR Part 901.20) governing the performance of actuarial services under ERISA

Treasury Department Circular No. 230 (31 CFR Part 10) Section 10.3

IRS PROMULGATIONS

REGULATIONS

- 1.401(a)-1 Normal retirement age
- 1.401(a)(4) Nondiscrimination requirements
- 1.401(a)(9) Minimum Distribution (-1, -2, -3, -6 except Q&A-12)
- 1.401(a)(26) Minimum participation requirements
- 1.401(I) Permitted disparity
- 1.410(b) Minimum coverage requirements
- 1.411(a)(13)-1 Hybrid plans

1.411(b)(5)-1	Age nondiscrimination requirements
1.411(d)-2	Nonforfeitability of benefits, termination or partial termination of a plan
1.411(d)-3	Section 411(d)(6) protected benefits
1.411(d)-4	Section 411(d)(6) protected benefits
1.414(s)	Definition of Compensation
1.414(q)-1T	Highly compensated employees
1.415(a)-1	General rules with respect to limitations on benefits and compensations under qualified plans
1.415(b)-1	Limitations for defined benefit plans
1.415(c)-1	Limitations for defined contribution plans
1.415(c)-2	Compensation
1.415(d)-1	Cost of living adjustments
1.415(f)-1	Aggregating plans
1.415(g)-1	Disqualification of plans and trusts
1.415(j)-1	Limitation year
1.416-1	Questions and answers to top-heavy plans
1.417(a)(3)-1	Disclosure on relative values of optional forms of benefit
1.436-1(a)	General rules
1.436-1(b)	Limitation on shutdown benefits and other unpredictable contingent event benefits
1.436-1(c)	Limitations on plan amendments increasing liability for benefits
1.436-1(d)	Limitation on prohibited payments
1.436-1(e)	Limitation on benefit accruals for plans with severe funding shortfalls
1.436-1(f)	Methods to avoid or terminate benefit limitations
1.436-1(g)	Rules of operation for periods prior to and after certification
1.436-1(h)	Presumed underfunding for purposes of benefit limitations
1.436-1(j)	Definitions
54.4980F-1	Final regulations implementing section 659 of EGTRRA
301.6057-1	Employee retirement benefit plans; identification of participant with deferred vested retirement benefit
301.6057-2	Employee retirement benefit plans; notification of change in plan status
301.6058-1	Information required in connection with certain plans of deferred compensation
301.6059-1	Periodic report of actuary

REVENUE RULINGS

81-11	Minimum accrued benefits; fractional rule; break-in service
81-140	Suspension of Benefits due to reemployment
89-60	Interest rates used in determining employees' "accumulated contributions"
2001-51	Limitations on benefits and contributions under qualified plans
2002-42	Partial termination merger or conversion of money purchase plan: IRC section 4980F notice and 204(h) of ERISA
2002-43	General rules relating to excise tax on prohibited transactions
2003-65	Vesting service upon resumption of accruals
2003-85	Application of IRC section 4980 excise tax
2004-65	Election of enhanced pension benefit under IRC section 420
2007-43	Partial termination, turnover
2012-4	Rollover from qualified defined contribution plan to qualified defined benefit plan to obtain additional annuity

NOTICES

97-75	Guidance relating to the amendments to the minimum distribution requirements of section 401(a)(9) of the Code made by section 1404 of the Small Business Job Protection Act of 1996, Pub. L. 104-188
2001-56	Effective dates for certain amendments made by EGTRRA
2008-30	Sections III and IV – Guidance on PPA changes to IRC sections 401(a)(11) and 417
2010-15	Miscellaneous HEART Act changes

PBGC PROMULGATIONS

REGULATIONS

4001	General and Definitions
4006	Computing Premiums
4007	Paying Premiums
4010	Notification to PBGC
4022	Guaranteed Benefits
4041	Terminations
4043	Reportable Events
4044	Allocation of Assets
4050	Missing Participants
4062	Termination Liability for Sponsor
4211	Multiemployer Plan Withdrawal Liability
4219	Multiemployer Plan Withdrawal Liability

PBGC TECHNICAL UPDATES

00-7	Increased Guarantee Limit for Multiemployer Plans
08-4	Lump Sum Issues in Standard Terminations
09-2	Section 4010 Reporting
10-3	Withdrawal Liability for Multiemployer Plans in Critical Status
11-1	Reportable Events
12-1	Effect of MAP-21 on PBGC Premiums
12-2	Effect of MAP-21 on 4010 Reporting

DOL PROMULGATIONS

REGULATIONS

	DEFINITIONS
2510.3-3	Definition of pension plans
2510.3-21	Definition of fiduciary
	REPORTING AND DISCLOSURE
2520.101-6	Multiemployer pension plan information made available on request
2520.102-2, 2520.102-3, & 2520.104b-2	Summary plan description (SPD)
2520.103-1	Contents of the annual report
2520.103-10	Annual report financial schedules
2520.104-42	Waiver of certain actuarial information in the annual report
2520.104-46	Waiver of examination and report of an independent qualified public accountant for employee benefit plans with fewer than 100 participants
2520.104a-5	Annual report filing requirements

- 2520.104b-3 Summary of material modifications to the plan and changes in the information required to be included in the SPD
- 2520.104b-10 Summary annual report (SAR)
- 2520.107-1 Use of electronic media for maintenance and retention of records

FIDUCIARY RESPONSIBILITY

- 2550.403a-1 Establishment of trust
- 2550.403b-1 Exemptions from trust requirement
- 2550.404a-4 Selection of annuity providers – safe harbor for individual account plans
- 2550.408b-2 General statutory exemption for services or office space
- 2550.408c-2 Compensation for services

ADMINISTRATION AND ENFORCEMENT

- 2560.502c-8 Civil penalties under ERISA Section 502(c)(8)
- 2570 Subpart I – Procedures for civil penalties under ERISA Section 502(c)(8)

The following are currently found in the Federal Register (FR), and also on the [DOL/EBSA website](#). When a final rule is codified in the Code of Federal Regulations (CFR) the changes will be reflected as indicated in the FR release.

- 77 FR 5632 On DOL’s final rule on reasonable contract or arrangement under Section 408(b)(2) – fee disclosure (note: this will amend *29 CFR Part 2550*)
- 75 FR 70625 On DOL’s proposed rule on annual funding notice for defined benefit plans (note: when final, this will amend *29 CFR Part 2520*)

INTERPRETIVE BULLETINS

- 2509.75-2 Prohibited Transactions
- 2509.75-4 Indemnification of fiduciaries
- 2509.75-5 & 2509.75-8 Questions and answers relating to fiduciary responsibility
- 2509.75-6 Section 408(c)(2) of ERISA
- 2509.75-9 Guidelines on independence of accountant retained by employee benefit plan
- 2509.95-1 [Fiduciary standard under ERISA when selecting an annuity provider for a defined benefit pension plan](#)

SOCIETY OF ACTUARIES STUDY MATERIAL

The Society of Actuaries has developed various study notes for the use of students preparing for its examinations on these subjects. These study notes are revised periodically, and new study notes may be added.

[Pension Plan Terminations](#)

[Contributory Pension Plans after OBRA ‘89](#)

[Tax Forms](#)

[Summary of Economic Growth and Tax Relief Reconciliation Act of 2001 \(EGTRRA\) Provisions Relating to Pension and Profit-Sharing Plans](#)

[Penalty Taxes under the U.S. Internal Revenue Code](#)

[Commutation Functions](#)

It should be realized, however, that such material was not necessarily drawn up with the particular nature of the Joint Board examinations in mind.

The Society of Actuaries also suggests the following text:

McGinn, Daniel F., *Multi-employer Retirement Plans: Handbook for the 21st Century* (2003); International Foundation of Employee Benefits; P.O. Box 69, Brookfield, WI 53008

AMERICAN SOCIETY OF PENSION PROFESSIONALS AND ACTUARIES STUDY MATERIAL

The American Society of Pension Professionals and Actuaries (ASPPA) suggest the following books. These books, while not designed specifically for the examination, cover much of the syllabus and more.

McGhie, G. N., *The Defined Benefit Answer Book* (Current Edition), Aspen Publishers; 7201 McKinney Circle; P.O. Box 990; Frederick, MD 21701

Tripodi, Sal L., *The ERISA Outline Book*, (Current Edition)

The ERISA Outline Book is available from [ASPPA](#).

CONDITIONS GENERALLY APPLICABLE TO ALL EA-2 (SEGMENT L) EXAMINATION QUESTIONS

If applicable, the following conditions should be considered a part of the data for each question, unless otherwise stated or implied.

For purposes of this examination, IRS, Treasury and PBGC releases granting disaster relief should be ignored.

GENERAL CONDITIONS REGARDING 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 the life of the retiree 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.
- (6) There are no, and never have been any, 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, the accrued benefit is defined likewise.
- (9) Actuarial equivalence is based on the mortality table and interest rate assumed for funding purposes.
- (10) Qualified joint and survivor annuities, qualified pre-retirement survivor annuities, and any other specified forms of payment are provided in such manner that they result in no cost to the employer.
- (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) The terms “applicable mortality (table)” and “applicable interest (rate)” are as defined in IRC section 417(e)(3).
- (14) The plan is not an applicable defined benefit plan described in IRC section 411(a)(13)(C) unless otherwise stated.

GENERAL CONDITIONS REGARDING FUNDING

- (15) Any actuarial valuation encompasses not only all active employees but also retired employees, beneficiaries, alternate payees, 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) Unless otherwise specified, the assumed retirement age is the normal retirement age.
- (18) Unless otherwise specified, there are no pre-retirement decrements.
- (19) The terms “value of plan assets”, “actuarial value of assets” and “market value of assets” mean the values developed for purposes of IRC section 412, 430, and 431 before being adjusted for items such as the existing credit balance, funding standard carryover balance, prefunding balance, or the outstanding balances of certain bases.
- (20) All actuarial assumptions are deemed “reasonable” and meet the “best estimate” criterion.
- (21) The term “**minimum required contribution**” means the smallest contribution for a plan year which will prevent a funding deficiency or unpaid minimum for that plan year, without regard to the alternative minimum funding standard account, and **before** reflecting items such as the existing credit balance, funding standard carryover balance, or prefunding balance, as applicable. Amounts to be amortized are not combined or offset against one another.
- (22) The term “**smallest amount that satisfies the minimum funding standard**” means the same as “minimum required contribution” **except** that it is determined **after** reflecting items such as the existing credit balance, funding standard carryover balance, or prefunding balance, as applicable. Amounts to be amortized are not combined or offset against one another.
- (23) The employer is taxable, and all employer contributions for each prior plan year have been deducted by the employer for its tax year coincident with such plan year.
- (24) The full funding limitation has never applied and there has been no early deemed amortization of shortfall amortization bases.
- (25) The full funding limitations based on current liability shall be disregarded if sufficient information to determine such limitations is not provided.
- (26) For purposes of determining the deductible limit, the unfunded current liability shall be disregarded if sufficient information to determine such liability is not provided.
- (27) The plan has never been subject to IRC section 412(I).
- (28) There have been no late quarterly installments, and there is no liquidity shortfall.

GENERAL CONDITIONS REGARDING NONDISCRIMINATION TESTING

- (29) For purposes of nondiscrimination testing under IRC section 401(a)(4), grouping of allocation rates or accrual rates has not been used unless there is specific reference to it.
- (30) For purposes of coverage testing under IRC section 410(b), “snapshot” testing is not used and permitted disparity is not imputed.

GENERAL CONDITIONS REGARDING BENEFIT RESTRICTIONS

- (31) Unless otherwise specified, AFTAPs have been certified on a timely basis.
- (32) The plan has provisions for automatically restoring accruals ceased due to the application of IRC section 436, to the extent permitted by regulations, and the plan’s actuary has provided the required certification to permit such restoration.

MISCELLANEOUS GENERAL CONDITIONS

- (33) All plan provisions and funding comply with all temporary and final regulations under the Internal Revenue Code and ERISA, as amended through November 30, 2012.
- (34) The plan is sponsored by a single employer; the sponsoring employer is a taxable entity and is not a member of a controlled group.
- (35) The plan is not established or maintained in connection with a collectively bargained agreement.
- (36) Employees subject to a collective bargaining agreement are non-professional. If employees covered by a collective bargaining agreement are covered by the plan, their coverage is pursuant to that collective bargaining agreement.
- (37) The plan year, the employer's limitation year, and the employer's tax year are all the calendar year.
- (38) The employer has never maintained a defined contribution plan or another defined benefit plan. No employee has been covered by a defined contribution or defined benefit plan that is required to be aggregated with his employer’s plans for purposes of IRC section 415.
- (39) Where IRC section 401(a)(17) applies, compensation does not exceed these limits unless sufficient information to apply the limits is provided.
- (40) Benefits do not exceed IRC section 415 limits unless sufficient information to apply these limits is provided.
- (41) Unless otherwise specified, the plan is covered by the PBGC.
- (42) All union plans are collectively bargained and all union employees are subject to collective bargaining.
- (43) Unless otherwise specified, the plan sponsor is not now, and never has been, in bankruptcy.
- (44) In all cases, unless stated otherwise, the PBGC has determined that a terminated plan was terminated for a legitimate business purpose.

- (45) References to law and regulation section numbers are for clarity and can be assumed to be correct.
- (46) Even if not so, assume all due dates are NOT Saturdays, Sundays, or holidays.
- (47) Disregard any industry-specific rules. Furthermore, plans are not eligible for PPA delayed effective dates (PPA sections 104-106).
- (48) The plan has not been top-heavy in any year.

If applicable, the preceding conditions should be considered a part of the data for each question, unless otherwise stated or implied.

LIMITS AND TABLES
(Included with the 2013 EA-2 (Segment L) examination)

Compensation Limit IRC section 401(a)(17)	
<u>Year</u>	<u>Limit</u>
2000-2001	170,000
2002-2003	200,000
2004	205,000
2005	210,000
2006	220,000
2007	225,000
2008	230,000
2009-2011	245,000
2012	250,000
2013	255,000

Maximum Benefit Limit IRC section 415(b)	
<u>Year</u>	<u>Limit at SSRA</u>
2000	135,000
2001	140,000
<u>Year</u>	<u>Limit at 65</u>
2002-2003	160,000
2004	165,000
2005	170,000
2006	175,000
2007	180,000
2008	185,000
2009-2011	195,000
2012	200,000
2013	205,000

Nondiscriminatory Classification Test IRC section 410(b)			
Nonhighly compensated employee			
concentration <u>percentage</u>	Safe harbor <u>percentage</u>	Unsafe harbor <u>percentage</u>	
0-60	50.00	40.00	
61	49.25	39.25	
62	48.50	38.50	
63	47.75	37.75	
64	47.00	37.00	
65	46.25	36.25	
66	45.50	35.50	
67	44.75	34.75	
68	44.00	34.00	
69	43.25	33.25	
70	42.50	32.50	
71	41.75	31.75	
72	41.00	31.00	
73	40.25	30.25	
74	39.50	29.50	
75	38.75	28.75	
76	38.00	28.00	
77	37.25	27.25	
78	36.50	26.50	
79	35.75	25.75	
80	35.00	25.00	
81	34.25	24.25	
82	33.50	23.50	
83	32.75	22.75	
84	32.00	22.00	
85	31.25	21.25	
86	30.50	20.50	
87	29.75	20.00	
88	29.00	20.00	
89	28.25	20.00	
90	27.50	20.00	
91	26.75	20.00	
92	26.00	20.00	
93	25.25	20.00	
94	24.50	20.00	
95	23.75	20.00	
96	23.00	20.00	
97	22.25	20.00	
98	21.50	20.00	
99	20.75	20.00	

LIMITS AND TABLES
(Included with the 2013 EA-2 (Segment L) examination)

Permitted Disparity Tables IRC section 401(l)				
Annual factor in maximum excess allowance and maximum offset allowance percent				
<u>Age at benefit Commencement</u>	<u>SSRA 65</u>	<u>SSRA 66</u>	<u>SSRA 67</u>	<u>Simplified Table</u>
70	1.209	1.101	1.002	1.048
69	1.096	0.998	0.908	0.950
68	0.996	0.907	0.825	0.863
67	0.905	0.824	0.750	0.784
66	0.824	0.750	0.700	0.714
65	0.750	0.700	0.650	0.650
64	0.700	0.650	0.600	0.607
63	0.650	0.600	0.550	0.563
62	0.600	0.550	0.500	0.520
61	0.550	0.500	0.475	0.477
60	0.500	0.475	0.450	0.433
59	0.475	0.450	0.425	0.412
58	0.450	0.425	0.400	0.390
57	0.425	0.400	0.375	0.368
56	0.400	0.375	0.344	0.347
55	0.375	0.344	0.316	0.325

FICA Taxable Wage Base	
<u>Year</u>	<u>Limit</u>
2000	76,200
2001	80,400
2002	84,900
2003	87,000
2004	87,900
2005	90,000
2006	94,200
2007	97,500
2008	102,000
2009-2011	106,800
2012	110,100
2013	113,700

Key employee Compensation IRC section 416		
<u>Year</u>	<u>Officer</u>	<u>1% owner</u>
2003	130,000	150,000
2004	130,000	150,000
2005	135,000	150,000
2006	140,000	150,000
2007	145,000	150,000
2008	150,000	150,000
2009-2011	160,000	150,000
2012-2013	165,000	150,000

Highly Compensated Employee Compensation IRC section 414(q)	
<u>Year</u>	<u>Limit</u>
2000-2001	85,000
2002-2004	90,000
2005	95,000
2006	100,000
2007	100,000
2008	105,000
2009-2011	110,000
2012-2013	115,000

LIMITS AND TABLES (Included with the 2013 EA-2 (Segment L) examination)

Maximum PBGC Guaranteed Life-Only Annuity at Age 65	
<u>Year</u>	<u>Monthly Benefit</u>
2001	3,392.05
2002	3,579.55
2003	3,664.77
2004	3,698.86
2005	3,801.14
2006	3,971.59
2007	4,125.00
2008	4,312.50
2009-2011	4,500.00
2012	4,653.41
2013	4,789.77

PBGC Flat-rate Premium	
<u>Year</u>	<u>Premium</u>
2008	33.00
2009	34.00
2010-2012	35.00
2013	42.00

FACTORS USED TO ADJUST MAXIMUM PBGC GUARANTEED BENEFITS FOR PAYMENTS OTHER THAN AS A SINGLE LIFE ANNUITY AT AGE 65

Commencement Age	
<u>Age</u>	<u>Factor</u>
75	3.04
74	2.76
73	2.48
72	2.21
71	1.93
70	1.66
69	1.49
68	1.34
67	1.21
66	1.10
65	1.00
64	0.93
63	0.86
62	0.79
61	0.72
60	0.65
59	0.61
58	0.57
57	0.53
56	0.49
55	0.45
54	0.43
53	0.41
52	0.39
51	0.37
50	0.35
49	0.33
48	0.31
47	0.29
46	0.27
45	0.25

Form of Payment Certain & Life*	
<u>Years</u>	<u>Factor</u>
1	0.995
2	0.990
3	0.985
4	0.980
5	0.975
6	0.965
7	0.955
8	0.945
9	0.935
10	0.925

*Reduction decreases by
0.01 per year in excess of 10.

Form of Payment Joint & Contingent (J&C)		
with 10 yr		
<u>Percent</u>	<u>Factor</u>	<u>Certain</u>
50%	0.900	×0.960
66 2/3 %	0.867	×0.970
75%	0.850	×0.975
100%	0.800	×0.990

Age Difference For J&S and J&C Beneficiary		
<u>Difference</u>	<u>Younger</u>	<u>Older</u>
1	0.99	1.005
2	0.98	1.010
3	0.97	1.015
4	0.96	1.020
5	0.95	1.025
6	0.94	1.030
7	0.93	1.035
8	0.92	1.040
9	0.91	1.045
10	0.90	1.050

Form of Payment Joint & Survivor (J&S)	
<u>Percent</u>	<u>Factor</u>
50%	1.00
66 2/3 %	0.93
75%	0.90
100%	0.80

PENSION EA-2 (SEGMENT F) EXAMINATION

NOVEMBER 2013

The EA-2 (Segment F) examination is four hours in length and covers the selection of actuarial assumptions and calculation of minimum required and maximum tax-deductible contributions under current pension law, along with the related actuarial mathematics. The EA-2 (Segment F) examination presupposes knowledge of the topics covered in the EA-1 examination.

Questions on the Pension EA-2 (Segment F) examination may contain commutation functions. Candidates who are not familiar with commutation functions may wish to read the SOA Study Note "[Commutation Functions](#)".

SYLLABUS

Actuarial cost methods, including unit credit, projected unit credit, entry age normal, individual level premium, aggregate, individual aggregate, attained age normal, frozen initial liability, shortfall, one-year term, and variations thereof.

Maximum benefit limitations.

Determination of top-heavy status; additional requirements with respect to top-heavy plans.

Determination of the actuarial value of assets.

Valuation of ancillary benefits.

Valuation techniques for handling employee contributions and split-funded life insurance arrangements.

Selection of actuarial assumptions.

Determination of experience gains and losses and analysis by source.

Effect on valuation results of various patterns of experience, including experience with respect to investment earnings, changes in asset value, mortality, disability, employee turnover, changes in compensation, retirement, choice of retirement options, and Social Security.

Effect on valuation results of changes in plan provisions, actuarial cost methods, asset valuation methods, and actuarial assumptions.

Minimum funding requirements including, but not limited to:

For single employer plans, the basics of the minimum funding standards including those for plans in at-risk status, transition rules, carryover balance, prefunding balance, and waivers of minimum required contributions

For multiemployer plans, the basics of the minimum funding standards including those for plans in critical or endangered status, amortization periods, credit balance, funding standard account, amortization period extensions, and waivers of funding deficiencies

Required quarterly contributions and liquidity shortfall

The effect of spinoffs and mergers on the minimum funding requirements

Additional funding rules for multiemployer plans in endangered status or critical status.

Maximum deductible contributions for federal income tax purposes including the treatment of contribution carryovers and contributions for a plan year which are deducted for the prior taxable year.

Penalty taxes for failures to meet minimum funding standards and for contributions in excess of tax-deductible limits.

SUGGESTED READINGS FOR EA-2 (SEGMENT F)

The Advisory Committee on Actuarial Examinations believes that most (if not all) of the topics in the syllabus are covered in one or more of the following sources. There is a great deal of overlap among the books listed below. Candidates do not need to use them all. The references listed below are to identify available resources from which the candidate may select. This list is not meant to describe or modify the syllabus listed above. Pension law and IRS promulgations can be found in publications of Warren, Gorham & Lamont, Commerce Clearing House, Maxwell Macmillan, Research Institute of America, and similar organizations.

Aitken, W.H., *A Problem-Solving Approach to Pension Funding and Valuation*, (2nd Edition–1996); ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Anderson, A.W., *Pension Mathematics for Actuaries*, (3rd Edition–2006); ACTEX Publications, P.O. Box 974, Winsted, CT 06098

Berin, B. N., *Fundamentals of Pension Mathematics*, (1989); Society of Actuaries, 475 N. Martingale Road, Suite 600, Schaumburg, IL 60173-2226

Farrimond, W., Mayer, D., Farber, D., and Matray, G., *Actuarial Cost Methods, A Review (3rd Edition–1999)*; ASPPA Book Order Department, Department 417, P.O. Box 753, Waldorf, MD 02604

[Actuarial Standard of Practice No. 4](#), “Measuring Pension Obligations”

[Actuarial Standard of Practice No. 27](#), “Selection of Economic Assumptions for Measuring Pension Obligations”

[Actuarial Standard of Practice No. 35](#), “Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations”

Employee Retirement Income Security Act of 1974 (ERISA) sections 206(g), 302, 303, 304, and 305, as amended through May 31, 2013

Current Schedules SB and MB of Form 5500, including instructions

INTERNAL REVENUE CODE SECTIONS, AS AMENDED THROUGH MAY 31, 2013

401(a)(17)	Requirements for qualification, compensation limit
404	Deductible employer contributions to a deferred-payment plan
412	Minimum funding standards
413	Collectively bargained plans, etc.
414(I)	Mergers and consolidations of plans or transfers of plan assets
415	Limitations on benefits & contributions excluding subsections – (m), (n)
416	Top heavy rules
417(e)	Restrictions on cash outs
418	Multiemployer plan reorganization rules
430	Minimum funding requirements for single-employer defined benefit pension plans
431	Minimum funding requirements for multiemployer defined benefit plans
432	Additional funding rules for multiemployer plans in endangered status or critical status
436	Funding-based limits on benefits and benefit accruals under single-employer defined benefit plans
4971	Taxes on failure to meet minimum funding standards
4972	Tax on nondeductible contributions to qualified employer plans
6059	Periodic report of actuary

REGULATIONS

1.401(a)(2)-1	Refund of mistaken contributions and withdrawal liability payments to multiemployer plans
1.401(a)(17)	Limitation on annual compensation
1.404(a)-14	Special rules in connection with ERISA – Deductible Limits
11.412(c)-12	Extension of time to make contributions
1.412(c)(1)-1	Determinations to be made under funding method
1.412(c)(1)-2	Shortfall method
1.412(c)(2)-1	Valuation of plan assets; reasonable actuarial methods
1.412(c)(3)-1	Reasonable funding methods
1.414(I)-1	Mergers and consolidations of plans or transfers of plan assets
1.415(a)-1	General rules with respect to limitations on benefits and compensations under qualified plans
1.415(b)-1	Limitations for defined benefit plans
1.415(c)-1	Limitations for defined contribution plans
1.415(c)-2	Compensation
1.415(d)-1	Cost of living adjustments
1.415(f)-1	Aggregating plans
1.415(g)-1	Disqualification of plans and trusts
1.415(j)-1	Limitation year
1.416-1	Questions and answers to top-heavy plans
1.417(e)-1	Restrictions and valuations of distributions from plans subject to sections 401(a)(11) and 417
1.430(d)-1	Determination of target normal cost and funding target
1.430(f)-1	Effect of prefunding balance and funding standard carryover balance
1.430(g)-1	Valuation date and valuation of plan assets
1.430(h)(2)-1	Interest rates used to determine present value
1.430(h)(3)-1	Mortality tables used to determine present value
1.430(i)-1	Special rules for plans in at-risk status
1.431(c)(6)-1	Mortality tables used to determine current liability
1.436-1(a)	General rules
1.436-1(b)	Limitation on shutdown benefits and other unpredictable contingent event benefits
1.436-1(c)	Limitations on plan amendments increasing liability for benefits
1.436-1(d)	Limitation on prohibited payments

1.436-1(e)	Limitation on benefit accruals for plans with severe funding shortfalls
1.436-1(f)	Methods to avoid or terminate benefit limitations
1.436-1(g)	Rules of operation for periods prior to and after certification
1.436-1(h)	Presumed underfunding for purposes of benefit limitations
1.436-1(j)	Definitions
301.6059-1	Periodic report of actuary

PROPOSED REGULATIONS

1.430(a)-1	Determination of minimum required contribution
1.430(j)-1	Payment of minimum required contributions
1.432(a)-1	General rules relating to section 432
1.432(b)-1	Determination of status and adoption of a plan
54.4971(c)-1	Taxes on failure to meet minimum funding standards

REVENUE RULINGS

77-2	Change in benefit structure after valuation date
78-48	Assumptions & methods specified in plan
78-331	Assumption that employees retire at normal retirement date
79-237	Terminating plan – funding standard account and penalty taxes
80-315	Supplementary benefits
81-13	Full funding limitation
81-136	Election to receive benefits less than plan provides
81-137	Separate funding account for separate plans
81-195	Effect of 415 limits on minimum and maximum contribution levels, and inability to project future increases in limits for funding purposes
81-213	Experience gains & losses, amortizations
81-214	Interest charges in funding standard account
81-215	Effect of 415 limits after valuation date but within plan year
82-125	Full funding limitation and deductible limit
84-62	Deductible limit under 404(a)(1)(A)
85-131	Reasonable allocation of past and future liabilities under unit credit method when 415 limit is involved
86-48	Determining “Benefits on a Termination Basis” for the purpose of a spin-off. (i.e. early retirement benefits, optional forms, ...)
96-7	Disability mortality tables
2000-20	Minimum funding standards – funding standard account – amortization bases
2001-51	Limitations on benefits and contributions under qualified plans
2003-11	Amendment to increase limitation on compensation for former participants
2003-83	Entry age normal funding method
2007-67	Calculation of minimum present value under IRC section 417(e)(3)

NOTICES

87-37	Excise Tax on non-deductible contributions
2001-56	Effective dates for certain amendments made by EGTRRA (only as it applies to the compensation limit)
2008-85	Static mortality tables for 2009 – 2013
2009-22	Asset valuation methods for single employer defined benefit plans under WRERA
2010-15	Miscellaneous HEART Act Changes
2010-83	Funding relief for multiemployer defined benefit plans under PRA 2010
2011-3	Funding relief for single-employer plans under PRA 2010
2011-96	Model amendment, benefit restrictions under section 436

REVENUE PROCEDURES

87-27	Plan year changes
90-49	Recovery of excess contributions
2000-40	Automatic approval for change of funding method
2000-41	Change in funding method

ANNOUNCEMENTS

96-26	Announces rules for refund to avoid excise tax on non-deductible contributions
2010-3	Automatic approval of changes in funding method for takeover plans and changes in pension valuation software

SOCIETY OF ACTUARIES STUDY MATERIAL

The Society of Actuaries has developed various study notes for the use of students preparing for its examinations on these subjects. These study notes are revised periodically, and new study notes may be added.

[Excerpt on Plan Qualification](#)

[Assessment and Selection of Actuarial Assumptions for Measuring Pension Obligations](#)

[Penalty Taxes Under the U.S. Internal Revenue Code](#)

[Commutation Functions](#)

It should be realized, however, that such material was not necessarily drawn up with the particular nature of the Joint Board examinations in mind.

The Society of Actuaries also suggests the following text:

McGinn, Daniel F., *Multi-employer Retirement Plans: Handbook for the 21st Century (2003)*; International Foundation of Employee Benefits; P.O. Box 69, Brookfield, WI 53008

AMERICAN SOCIETY OF PENSION PROFESSIONALS AND ACTUARIES STUDY MATERIAL

The American Society of Pension Professionals and Actuaries (ASPPA) suggests the following books. These books, while not designed specifically for the examination, cover much of the syllabus and more.

McGhie, G. N., *The Defined Benefit Answer Book* (Current Edition), Aspen Publishers; 7201 McKinney Circle; P.O. Box 990; Frederick, MD 21701

Tripodi, Sal L., *The ERISA Outline Book*, (Current Edition)

The ERISA Outline Book is available from [ASPPA](#).

CONDITIONS GENERALLY APPLICABLE TO ALL EA-2 (SEGMENT F) EXAMINATION QUESTIONS

If applicable, the following conditions should be considered a part of the data for each question, unless otherwise stated or implied.

GENERAL CONDITIONS REGARDING 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 the life of the retiree 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.
- (6) There are no, and never have been any, 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, the accrued benefit is defined likewise.
- (9) Qualified joint and survivor annuities, qualified pre-retirement survivor annuities, and any other specified forms of payment, are provided in such manner that they result in no cost to the employer.
- (10) The plan has not been amended since its effective date.
- (11) The adoption date of any plan or amendment is the same as its effective date.

GENERAL CONDITIONS REGARDING FUNDING

- (12) Any actuarial valuation encompasses not only all active employees but also retired employees, beneficiaries, alternate payees, and former employees entitled to vested deferred pensions.
- (13) 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.
- (14) Unless otherwise specified, the assumed retirement age is the normal retirement age.

- (15) Unless otherwise specified, there are no pre-retirement decrements.
- (16) All actuarial assumptions are deemed “reasonable” and meet the “best estimate” criterion.
- (17) The actuarial cost method, or funding method, is “reasonable” within the meaning of all relevant IRC sections and the regulations thereunder.
- (18) Where the normal cost under an actuarial cost method may be computed as either a level percentage of compensation or a level dollar amount, the level percentage approach is used if the plan benefits are based on compensation, and the level dollar approach is used if they are not.
- (19) Under the frozen initial liability method, whenever there is a change in the plan, actuarial assumptions, or asset valuation method, the unfunded liability is adjusted by adding to it the change (positive or negative) in the unfunded entry age normal accrued liability due to the change. Likewise, under the attained age normal method, the unfunded liability is adjusted by adding to it the change in the unfunded unit credit accrued liability.
- (20) For multiemployer plans, all funding method changes after 1999 were made in accordance with Rev. Proc. 2000-40. Bases established because of funding method changes prior to 2000 are amortized over 10 years from the date established.
- (21) Unless otherwise specified, the unit credit funding method is as defined in Rev. Proc. 2000-40.
- (22) Unless otherwise specified, ancillary benefits are funded using the same method as the retirement benefits. They are not funded on a term cost basis.
- (23) For purposes of spreading future normal costs under spread-gain methods, the present value of future compensation is not limited by IRC section 401(a)(17).
- (24) The terms “value of plan assets”, “actuarial value of assets” and “market value of assets” mean the values developed for purposes of IRC section 412, 430, and 431 before being adjusted for items such as the existing credit balance, funding standard carryover balance, prefunding balance, or the outstanding balances of certain bases.
- (25) The plan sponsor does not elect to reduce the amount of the funding standard carryover balance and/or prefunding balance pursuant to IRC section 430(f)(5) prior to the determination of the value of plan assets for the plan year or prior to the application of the balances in reducing the minimum required contribution for the plan year.
- (26) The plan sponsor elects to credit the maximum amount permitted to the prefunding balance.
- (27) Where a prefunding or carryover balance exists, the plan was at least 80% funded in the prior year and is therefore eligible to credit the balance(s) against the otherwise-applicable minimum required contribution.
- (28) If eligible, the plan sponsor elects to credit the prefunding and carryover balances against the otherwise-applicable minimum required contribution.
- (29) The actuarial cost method, asset valuation method, and actuarial assumptions have not been changed since the plan effective date except as required by PPA.

- (30) The term “**minimum required contribution**” means the smallest contribution for a plan year which will prevent a funding deficiency or unpaid minimum for that plan year, without regard to the alternative minimum funding standard account, and **before** reflecting items such as the existing credit balance, funding standard carryover balance, or prefunding balance, as applicable. Amounts to be amortized are not combined or offset against one another.
- (31) The term “**smallest amount that satisfies the minimum funding standard**” means the same as “minimum required contribution” **except** that it is determined **after** reflecting items such as the existing credit balance, funding standard carryover balance, or prefunding balance, as applicable. Amounts to be amortized are not combined or offset against one another.
- (32) The plan has never been subject to IRC section 412(I).
- (33) No waivers of funding deficiencies or extensions of amortization periods have been granted.
- (34) Unless otherwise specified, the interest rate used for amortizing waivers and for extensions of amortization periods is the same as the valuation interest rate.
- (35) The employer is taxable, and all employer contributions for each prior plan year have been deducted by the employer for its tax year coincident with such plan year.
- (36) For purposes of determining the deductible limit for any year, the employer does not use (and has never used) the fresh-start alternative and does not combine (and has never combined) amortization bases.
- (37) The full funding limitation has never applied and there has been no early deemed amortization of shortfall amortization bases.
- (38) Expenses are paid directly by the employer, rather than from the assets of the plan, and therefore do not affect the funding of the plan.
- (39) Assumed compensation increases first apply to the year immediately following the latest year for which valuation compensation is shown.
- (40) The full funding limitations based on current liability shall be disregarded if sufficient information to determine such limitations is not provided.
- (41) For purposes of determining the deductible limit, the unfunded current liability shall be disregarded if sufficient information to determine such liability is not provided.
- (42) The plan is not currently in at-risk status nor has it ever been in at-risk status.
- (43) The terms “at-risk funding target” and “at-risk target normal cost” mean the funding target and target normal cost calculated reflecting additional actuarial assumptions and loading factors (if applicable) for a plan in at-risk status prior to the application of any five-year transition as described in IRC section 430(i)(5).
- (44) There have been no late quarterly contributions (and thus no associated interest penalties), and there is no liquidity shortfall, unless sufficient information to determine such amounts is provided.

GENERAL CONDITIONS REGARDING BENEFIT RESTRICTIONS

- (45) Unless otherwise specified, AFTAPs have been certified on a timely basis. The plan has provisions for automatically restoring accruals ceased due to the application of IRC section 436, to the extent permitted by regulations, and the plan's actuary has provided the required certification to permit such restoration.

MISCELLANEOUS GENERAL CONDITIONS

- (46) All plan provisions and funding calculations comply with all temporary and final regulations under the Internal Revenue Code and ERISA, as amended through May 31, 2012 and proposed regulations as listed in the Suggested Readings.
- (47) The plan is sponsored by a single employer; the sponsoring employer is a taxable entity and is not a member of a controlled group.
- (48) The plan is not established or maintained in connection with a collectively bargained agreement.
- (49) The plan year, the employer's limitation year, and the employer's tax year are all the calendar year.
- (50) The employer has never maintained a defined contribution plan or another defined benefit plan.
- (51) Where IRC section 401(a)(17) applies, compensation does not exceed these limits unless sufficient information to apply the limits is provided.
- (52) Benefits do not exceed IRC section 415 limits unless sufficient information to apply these limits is provided.
- (53) All union plans are collectively bargained and all union employees are subject to collective bargaining.
- (54) References to law and regulation section numbers are for clarity and can be assumed to be correct.
- (55) Even if not so, assume all due dates are NOT Saturdays, Sundays, or holidays.
- (56) Disregard any industry-specific rules. Furthermore, plans are not eligible for PPA delayed effective dates (PPA sections 104-106).
- (57) The plan has not been top-heavy in any year.

If applicable, the preceding conditions should be considered a part of the data for each question, unless otherwise stated or implied.

LIMITS AND TABLES
(Included with the 2013 EA-2 (Segment F) examination)

Maximum Benefit Limit IRC section 415(b)	
<u>Year</u>	<u>Limit at SSRA</u>
2000	135,000
2001	140,000
<u>Year</u>	<u>Limit at 65</u>
2002-2003	160,000
2004	165,000
2005	170,000
2006	175,000
2007	180,000
2008	185,000
2009-2011	195,000
2012	200,000
2013	205,000

Compensation Limit IRC section 401(a)(17)	
<u>Year</u>	<u>Limit</u>
2000-2001	170,000
2002-2003	200,000
2004	205,000
2005	210,000
2006	220,000
2007	225,000
2008	230,000
2009-2011	245,000
2012	250,000
2013	255,000

Key Employee Compensation IRC section 416		
<u>Year</u>	<u>Officer</u>	<u>1% owner</u>
2003	130,000	150,000
2004	130,000	150,000
2005	135,000	150,000
2006	140,000	150,000
2007	145,000	150,000
2008	150,000	150,000
2009-2011	160,000	150,000
2012-2013	165,000	150,000

Highly Compensated Employee Compensation IRC section 414(q)	
<u>Year</u>	<u>Limit</u>
2000-2001	85,000
2002-2004	90,000
2005	95,000
2006	100,000
2007	100,000
2008	105,000
2009-2011	110,000
2012-2013	115,000