

AMERICAN SOCIETY OF ENROLLED ACTUARIES
JOINT BOARD FOR THE ENROLLMENT OF ACTUARIES
SOCIETY OF ACTUARIES

Enrolled Actuaries Pension Examination, Segment L

EA-2, Segment L

Date: Thursday, May 8, 2025

INSTRUCTIONS TO CANDIDATES

1. Special conditions generally applicable to all questions on this examination are found in a separate .PDF on the computer screen.
2. All questions should be answered in accordance with laws, rules and regulations in effect as of November 30, 2024.
3. This examination consists of 45 True/False or multiple-choice questions worth a total of 100 points. The point value for each question is shown in parentheses at the beginning of each question.
4. Your score will be based on the point values for the questions that you answer correctly. No credit will be given for omitted answers and no credit will be lost for wrong answers; hence, you should answer all questions even those for which you have to guess. Answer choices C, D, and E will be considered incorrect answers on True-False questions.
5. Do not spend too much time on any one question. If a question seems too difficult, leave it and go on.
6. While every attempt is made to avoid defective questions, sometimes they do occur. If you believe a question is defective, the supervisor or proctor cannot give you any guidance beyond the instructions on the computer screen.
7. Use the scratch paper booklets provided by Prometric for your scratch work. Extra scratch paper booklets are available if you run out of scratch paper in the booklet provided to you.

Answer Key EA-2L Spring 2025
July 12, 2025

Question	Answer
1	B
2	A
3	A
4	B
5	A
6	B
7	A
8	B
9	A
10	A
11	B
12	B
13	Correct for all
14	B
15	A
16	A
17	B
18	B
19	A
20	A
21	A
22	B
23	B
24	B
25	B
26	D
27	C
28	B
29	B
30	C
31	B

32	D
33	D
34	B
35	A
36	D
37	A
38	E
39	E
40	E
41	B
42	C
43	B
44	C
45	B

*Question 13 was defective.

Data for Question 1 (1 point)

A controlled group consists of Company A, Company B, and Company C.

The controlled group is a contributing sponsor of a multiemployer plan.

The controlled group does not contribute to any other pension plans.

A transaction has occurred that results in Company B ceasing to be a member of the controlled group.

Consider the following statement:

This reportable event under ERISA section 4043 must be filed with PBGC.

Question 1

Is the above statement true or false?

(A) True

(B) False

Data for Question 2 (1 point)

A plan has a required quarterly contribution of \$750,000 due on 7/15/2025. The contribution is made on 8/4/2025.

Consider the following statement:

The plan is not required to report the missed contribution to the PBGC.

Question 2

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 3 (1 point)

Employer A maintains a plan that was closed to new entrants effective 1/1/2015 and continues to provide meaningful benefit accruals to its active participants.

	<u>12/31/2014</u>	<u>Minimum headcount during 2024</u>
Total employees	500	300
Active plan participants	75	40

There have been no other plan amendments since 12/31/2014.

Consider the following statement:

The plan satisfies the minimum participation requirements of IRC section 401(a)(26) for the 2024 plan year.

Question 3

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 4 (1 point)

Options selected for IRC section 401(a)(4) testing:

Testing method

Benefits basis

Measurement period

All years of service

Consider the following statement:

The accrual rates for IRC section 401(a)(4) nondiscrimination testing may be determined using plan year testing compensation.

Question 4

Is the above statement true or false?

(A) True

(B) False

Data for Question 5 (1 point)

A plan may define a year of service for vesting purposes as a tax year during which a participant completes at least 500 hours of service.

Question 5

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 6 (1 point)

Consider the following statement:

A plan must provide 100% vesting upon the death of a participant.

Question 6

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 7 (1 point)

Selected data for active participant Smith:

Date of birth	1/1/1985
Date of hire	1/1/2012
Date of marriage	1/1/2020

Consider the following statement:

On 1/1/2025 participant Smith and his spouse can waive the right to a pre-retirement survivor annuity.

Question 7

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 8 (1 point)

Under a plan's qualified joint and survivor annuity, the survivor annuity percentage for a plan is 100%.

Consider the following statement:

The plan's qualified optional survivor annuity percentage must be 75%.

Question 8

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 9 (2 points)

Plan type: Statutory hybrid (cash balance)

The plan defines the interest crediting rate for a plan year as a variable rate not tied to a market rate of return.

The plan uses the following interest crediting rates:

Plan year	Interest <u>crediting rate</u>
2019	3.19%
2020	1.91%
2021	0.50%
2022	1.41%
2023	4.74%
2024	4.89%

The plan terminated on 12/31/2023.

Consider the following statement:

The plan is required to use an interest crediting rate of 2.35% to accumulate cash balance accounts after the 2023 plan year.

Question 9

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 10 (1 point)

Type of plan: Statutory hybrid (cash balance)

A plan provides the following vesting schedule:

<u>Years of service</u>	<u>Vesting %</u>
Fewer than 3	50%
3 or more	100%

Consider the following statement:

The above vesting schedule satisfies the minimum vesting requirements under IRC section 411(a)(13).

Question 10

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 11 (1 point)

A multiemployer plan uses the presumptive method in determining withdrawal liability.

Consider the following statement:

When allocating unfunded vested benefits to a withdrawing employer, contribution surcharges made to a multiemployer plan are included in the allocation fraction.

Question 11

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 12 (1 point)

The minimum required distribution for active participant Smith is \$10,000 from a plan for the 2024 taxable year. However, Smith did not receive any distributions from the plan in 2024.

No waivers or reductions provided under IRC section 4974 apply to Smith.

Consider the following statement:

The excise tax imposed under IRC section 4974 is \$2,000.

Question 12

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 13 (1 point)

Smith receives full-time pay from an employer whose employees are participants in the plan.

Smith has been asked to perform the annual trust accounting for the plan.

Consider the following statement:

The plan can compensate Smith for performing these services beyond reimbursement of expenses properly and actually incurred.

Question 13

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 14 (1 point)

A plan administrator requests supplemental advice or explanation relative to a report certified by the plan's enrolled actuary.

Consider the following statement:

The enrolled actuary may refuse to provide the plan administrator with the requested supplemental advice or explanation until the plan administrator agrees to compensate them for such additional advice or explanation.

Question 14

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 15 (3 points)

Selected information as of 1/1/2025:

2025 AFTAP before proposed amendment	89%
Funding target before proposed amendment	\$6,230,000
Funding target increase for proposed amendment	1,500,000
Discounted value of proposed contribution	650,000
Funding standard carryover balance	0
Prefunding balance	0

Consider the following statement:

The amendment can go into effect once the proposed contribution is made.

Question 15

Is the above statement true or false?

(A) True

(B) False

Data for Question 16 (1 point)

A plan provides for lump sum distributions.

The plan's 2024 AFTAP was certified to be 75%.

On 3/30/2025, the enrolled actuary certifies that the AFTAP for 2025 is 85%. The plan is then amended to allow plan participants whose benefits were restricted by IRC section 436 to receive the remainder of their pension benefits as a single lump sum.

After taking into account this amendment, the AFTAP is 84%.

Consider the following statement:

The plan amendment is permissible under IRC section 436 and its related regulations.

Question 16

Is the above statement true or false?

(A) True

(B) False

Data for Question 17 (1 point)

Consider the following statement:

The 100% final average compensation-based maximum benefit limitation under IRC section 415(b)(3) is reduced for years of participation fewer than 10 years.

Question 17

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 18 (1 point)

Consider the following statement:

The maximum annual benefit under IRC section 415 is adjusted for the qualified joint and 75% survivor annuity form of payment.

Question 18

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 19 (1 point)

Consider the following statement:

The 415(b)(1)(A) dollar limitation on the annual benefit is reduced when benefits begin before age 62.

Question 19

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 20 (2 point)

Selected data for 2024:

	Total <u>accrued benefits</u>	Present value of total <u>vested accrued benefits</u>	Present value of total <u>accrued benefits</u>
Key employees	\$260,000	\$3,200,000	\$3,800,000
Non-key employees	160,000	2,300,000	2,400,000

The plan has never made benefit payments.

Consider the following statement:

The plan is top-heavy for 2025.

Question 20

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 21 (1 point)

Consider the following statement:

A failure by a multiple employer plan to satisfy the top-heavy requirements of IRC section 416 with respect to the employees of a single employer participating in the plan means that all employers are maintaining a multiple employer plan that is not a qualified plan.

Question 21

Is the above statement true or false?

- (A) True
- (B) False

Data for Question 22 (3 points)

Selected valuation results as of 1/1/2024:

Funding standard carryover balance	\$50,000
Market value of assets	550,000
Actuarial value of assets	565,000
Funding target not using stabilized segment rates	495,000
Termination liabilities	550,000
2024 ERISA section 4010 FTAP	80%

Question 22

In what range is the prefunding balance as of 1/1/2024?

- (A) Less than \$110,000
- (B) \$110,000 but less than \$140,000
- (C) \$140,000 but less than \$170,000
- (D) \$170,000 but less than \$200,000
- (E) \$200,000 or more

Data for Question 23 (4 points)

Employer A and Employer B are not related.

Employer A sponsors Plan A and Employer B sponsors Plan B.

Employer A amends Plan A to freeze future benefit accruals for certain participants.

Employer B amends Plan B to remove an early retirement subsidy for future accruals for certain participants.

Both Employer A and Employer B provided 204(h) notices 30 days before their respective plan amendments' adoption dates and 20 days before their respective plan amendments' effective dates.

Neither employers A nor B qualifies for a waiver.

	<u>Plan A</u>	<u>Plan B</u>
Total plan participants with accrued benefits	120	90
Affected plan participants	30	60

$\$X$ = the tax amount due under IRC section 4980F for the taxable year for Plan A

$\$Y$ = the tax amount due under IRC section 4980F for the taxable year for Plan B

Question 23

In what range is $\$X + \Y ?

- (A) Less than \$65,000
- (B) \$65,000 but less than \$130,000
- (C) \$130,000 but less than \$195,000
- (D) \$195,000 but less than \$260,000
- (E) \$260,000 or more

Data for Question 24 (3 points)

Consider the following plans:

<u>Plan</u>	<u>Accrued Benefit</u>	<u>Employee Contributions</u>
Plan I	2.25% of final average compensation for the first 5 years of service, 2.50% of final average compensation for the next 5 years of service, and 2.75% of final average compensation for the next 10 years of service. Service is limited to 20 years.	Not required
Plan II	2.00% of final average compensation for the first 5 years of service, 2.75% of final average compensation for the next 10 years of service, and 2.50% of final average compensation for the next 10 years of service. Service is limited to 25 years.	Not required
Plan III	2.00% of final average compensation for the first 10 years of service and 2.50% of final average compensation thereafter.	The Plan requires active participants to contribute 1.00% of pay.

Question 24

Based on the information provided, which of the above plans may satisfy the safe harbor benefit rules under IRC section 401(a)(4)?

- (A) None
- (B) Plan I
- (C) Plan II
- (D) Plan III
- (E) The correct answer is not given by (A), (B), (C), or (D) above

Data for Question 25 (4 points)

A company sponsors Plans Y and Z.

Snapshot testing is being used to satisfy IRC section 410(b).

The plans are not aggregated for testing.

There are no owner employees.

Employee counts as of the snapshot testing date:

	<u>HCEs</u>	<u>NHCEs</u>
Non-excludable employees		
Benefiting under Plan Y only	150	100
Benefiting under Plan Z only	100	500
Non-benefiting in either plan	50	85
Benefiting in both plans	0	0
Excludable employees	15	150

Plans Y and Z satisfy the reasonable classification test under Regulation 1.410(b)(4)-4(b).

X = the smallest number of currently non-benefiting NHCEs that would need to benefit under Plan Y in order to exceed the minimum safe harbor percentage under the nondiscriminatory classification test of IRC section 410(b).

Question 25

In what range is X ?

- (A) Less than 47
- (B) 47 but less than 53
- (C) 53 but less than 59
- (D) 59 but less than 65
- (E) 65 or more

Data for Question 26 (4 points)

Selected plan provisions:

Normal retirement benefit	\$400 per month for each year of service.
Late retirement benefit	The minimum required benefit when the plan does not suspend benefits, but reduces benefit accruals by actuarial increases
Actuarial equivalence	5% interest with no preretirement mortality

Selected monthly annuity factors, using the plan's actuarial equivalence factors:

$\ddot{a}_{65}^{(12)}$	12.49
$\ddot{a}_{66}^{(12)}$	12.27
$\ddot{a}_{67}^{(12)}$	11.75
$\ddot{a}_{68}^{(12)}$	10.18

Data for active participant Smith:

Date of hire	1/1/2010
Date of birth	1/1/1956

$\$X$ = Smith's monthly accrued benefit at 1/1/2024.

Question 26

In what range is $\$X$?

- (A) Less than \$5,800
- (B) \$5,800 but less than \$6,025
- (C) \$6,025 but less than \$6,250
- (D) \$6,250 but less than \$6,475
- (E) \$6,475 or more

Data for Question 27 (3 points)

Selected plan provisions:

Early retirement eligibility	The earlier of age 55 with 10 years of service or age 60 with 5 years of service
Early retirement benefit	Accrued benefit reduced 5% for each year the benefit commencement date precedes the normal retirement date

Selected data for participant Smith:

Date of birth	1/1/1975
Date of hire	1/1/2000
Date of termination	1/1/2009
Date of marriage	1/1/2005
Annual accrued benefit	\$45,000

Selected conversion factors at all ages:

Joint & 50% survivor (QJSA)	95%
Joint & 75% survivor	90%
Joint & 100% survivor	84%

Smith elects to commence benefits at the earliest age allowed under the terms of the plan and chooses the qualified optional survivor annuity (QOSA) as his form of payment on his annuity starting date.

$\$X$ = the annual benefit payable to Smith's surviving spouse upon his death.

Question 27

In what range is $\$X$?

- (A) Less than \$15,000
- (B) \$15,000 but less than \$20,000
- (C) \$20,000 but less than \$25,000
- (D) \$25,000 but less than \$30,000
- (E) \$30,000 or more

Data for Question 28 (3 points)

Monthly normal retirement benefit:	1.5% of final 3-year average compensation for each year of service
Early retirement eligibility:	Age 60 with 10 years of service
Early retirement benefit:	Accrued benefit reduced 5% per year prior to age 65

Plan conversion factors at all ages:

<u>Optional forms of payment:</u>	<u>Plan conversion factor from life annuity</u>
Joint and 50% survivor annuity	0.88
Joint and 75% survivor annuity (QJSA)	0.85
Joint and 100% survivor annuity	0.82

Select information for participant Smith:

Date of birth	1/1/1964
Spouse's date of birth	1/1/1969
Date of hire	1/1/2008
Date of death	1/1/2025
Compensation for each year	\$110,000

At the time of death, Smith has been married to his current spouse for over one year.

$\$X$ = annual minimum qualified pre-retirement survivor benefit payable to Smith's spouse at the earliest commencement date.

Question 28

In what range is $\$X$?

- (A) Less than \$14,000
- (B) \$14,000 but less than \$17,000
- (C) \$17,000 but less than \$20,000
- (D) \$20,000 but less than \$23,000
- (E) \$23,000 or more

Data for Question 29 (3 points)

Plan type: Statutory hybrid (cash balance)

Selected plan provisions:

Annual pay credit	10% of compensation
Interest crediting rate	Actual rate of return on plan assets for the plan year

Data for participant Smith:

Date of birth	1/1/1981
Date of hire	1/1/2021
Date of termination	12/31/2024
Annual compensation for each year	\$50,000

Actual trust rate of return for the indicated plan year:

2021	7.00%
2022	-5.00%
2023	8.00%
2024	-4.00%

Question 29

In what range is the lump sum benefit payable to Smith on 12/31/2024?

- (A) Less than \$19,950
- (B) \$19,950 but less than \$20,250
- (C) \$20,250 but less than \$20,550
- (D) \$20,550 but less than \$20,850
- (E) \$20,850 or more

Data for Question 30 (4 points)

Plan type: Statutory hybrid (cash balance)

Selected plan provisions:

Pay credit rate	5% of Compensation
Interest crediting rate	3%
Actuarial equivalence	5% and applicable mortality table

Selected annuity factors for cash balance conversion:

Age 62: 12.8758
Age 65: 12.0504

Selected data for participant Smith:

Date of birth	12/31/1963
Date of hire	1/1/2023

Compensation:

<u>Year</u>	<u>Compensation</u>
2023	\$ 340,000
2024	350,000
2025	330,000

Smith earns a pay credit in each year.

$\$X$ = Smith's monthly accrued benefit as of 12/31/2025.

Question 30

In what range is $\$X$?

- (A) Less than \$345
- (B) \$345 but less than \$370
- (C) \$370 but less than \$395
- (D) \$395 but less than \$420
- (E) \$420 or more

Data for Question 31 (3 points)

Data as of 1/1/2024:

Market value of plan assets	\$17,400,000
Actuarial value of plan assets	17,300,000
Funding target for PBGC premium purposes	20,600,000

Participants with benefits as of 12/31/2023:

Active	80
Terminated vested	60
Retirees in pay status	120
Deceased participants with beneficiaries who have a right to receive benefits earned by the participant	15
QDRO alternate payees of active participants	<u>20</u>
Total	295

Question 31

In what range is the total 2024 PBGC premium?

- (A) Less than \$193,000
- (B) \$193,000 but less than \$196,000
- (C) \$196,000 but less than \$199,000
- (D) \$199,000 but less than \$202,000
- (E) \$202,000 or more

Data for Question 32 (3 points)

The Alternative Premium Funding Target is being used to determine the PBGC Variable-rate Premium.

Number of plan participants as of 12/31/2024: 235

Selected 1/1/2025 valuation results:

Vested funding target using stabilized segment rates	\$5,030,000
Vested funding target not using stabilized segment rates	5,250,000
Market value of assets	2,200,000
Actuarial value of assets	2,150,000
Number of active participants	215

$\$X$ = the PBGC Variable-rate Premium due for the 2025 premium payment year.

Question 32

In what range is $\$X$?

- (A) Less than \$130,000
- (B) \$130,000 but less than \$140,000
- (C) \$140,000 but less than \$150,000
- (D) \$150,000 but less than \$160,000
- (E) \$160,000 or more

Data for Question 33 (3 points)

Selected participant data as of 12/31/2023:

Active participants with a vested accrued benefit	16
Active participants with a nonvested accrued benefit	4
Active participants with no accrued benefit	1
Employees who are ineligible for the plan	5
Terminated participants with deferred vested benefits	2
Retired participants receiving benefits	2

Valuation results as of 1/1/2024:

Vested funding target using PBGC assumptions	\$1,200,000
Nonvested funding target using PBGC assumptions	350,000
Market value of assets	1,120,000
Actuarial value of assets	1,150,000

Question 33

In what range is the total 2024 PBGC premium?

- (A) Less than \$3,680
- (B) \$3,680 but less than \$5,020
- (C) \$5,020 but less than \$6,360
- (D) \$6,360 but less than \$7,700
- (E) \$7,700 or more

Data for Question 34 (2 points)

Proposed plan termination date: 12/31/2024

Date on which Notice of Intent to Terminate was distributed: 10/31/2024

Plan assets are sufficient to pay all benefits.

Consider the following statements:

- I. The PBGC Form 500 must be filed before 12/31/2024.
- II. The Notice of Plan Benefits must be issued no later than the date the PBGC Form 500 is filed with the PBGC.
- III. The plan must not pay any benefits before the proposed plan termination date.

Question 34

Which, if any, of the above statements is (are) true?

- (A) I only
- (B) II only
- (C) III only
- (D) I, II, and III
- (E) The correct answer is not given by (A), (B), (C), or (D) above.

Data for Question 35 (3 points)

Type of plan: Multiemployer

Normal retirement benefit effective:

1/1/1990	\$35 per month for each year of benefit service
4/1/2015	\$40 per month for each year of benefit service
7/1/2020	\$45 per month for each year of benefit service

There is no reduction for early retirement.

Selected data for participant Smith:

Date of birth	1/1/1965
Date of hire	1/1/1995
Date of termination	1/1/2023

$\$X$ = the annual PBGC guaranteed benefit for participant Smith as of 12/31/2024.

Question 35

In what range is $\$X$?

- (A) Less than \$11,150
- (B) \$11,150 but less than \$11,550
- (C) \$11,550 but less than \$11,950
- (D) \$11,950 but less than \$12,350
- (E) \$12,350 or more

Data for Question 36 (3 points)

Type of plan: Multiemployer

Employer A has been a contributing employer under a multiemployer plan for over 10 years.

Employer A completely withdraws from the plan on 11/1/2024.

No other employers have withdrawn from the plan.

The plan's unfunded vested obligation as of 12/31/2023 is \$2,500,000.

The plan's unfunded vested obligation as of 12/31/2024 is \$4,500,000.

Withdrawal liability under the plan is computed using the rolling-5 method reflecting the mandatory *de minimis* rule.

Using Company A's contributions in the five years before withdrawal, Company A is allocated \$110,000 of the unfunded vested obligations.

Question 36

In what range is the withdrawal liability for Employer A?

- (A) Less than \$79,000
- (B) \$79,000 but less than \$89,000
- (C) \$89,000 but less than \$99,000
- (D) \$99,000 but less than \$109,000
- (E) \$109,000 or more

Data for Question 37 (4 points)

Type of plan: Multiemployer

Method for withdrawal liability: Presumptive with mandatory *de minimis* rule

There were no unfunded vested benefits in any year before 2020.

Employer A completely withdraws from the plan on 7/10/2023.

No other employers have withdrawn from the plan.

<u>Year ending</u>	<u>Total unfunded vested benefits</u>	<u>5-year sum of contributions</u>	
		<u>Employer A</u>	<u>Total employers</u>
12/31/2020	\$1,000,000	\$440,000	\$3,300,000
12/31/2021	1,500,000	520,000	3,300,000
12/31/2022	500,000	470,000	3,590,000
12/31/2023	700,000	420,000	3,880,000

Question 37

In what range is the withdrawal liability for Employer A?

- (A) Less than \$80,000
- (B) \$80,000 but less than \$90,000
- (C) \$90,000 but less than \$100,000
- (D) \$100,000 but less than \$110,000
- (E) \$110,000 or more

Data for Question 38 (3 points)

Plan termination date: 12/31/2024

Asset distribution date: 6/30/2025

Selected data as of 6/30/2025:

Market value of assets	\$8,500,000
Assets used to satisfy all plan liabilities	\$5,000,000

In accordance with IRC section 4980, the employer elected to establish a qualified replacement plan, and to transfer to that plan the minimum amount necessary to lower the rate of excise tax on the employer reversion.

\$X = the difference in the amount of the actual excise tax due from the employer and the amount of the excise tax that would have been due had the employer not transferred the minimum amount necessary to the qualified replacement plan.

Question 38

In what range is **\$X**?

- (A) Less than \$400,000
- (B) \$400,000 but less than \$650,000
- (C) \$650,000 but less than \$900,000
- (D) \$900,000 but less than \$1,150,000
- (E) \$1,150,000 or more

Data for Question 39 (3 points)

An employer sponsors a defined benefit plan.

The employer borrows \$200,000 from the plan on 7/1/2023.

Interest on the loan is 6% per year payable annually on 12/31 until the loan is repaid.

The employer makes no payments on the loan until 12/31/2024, at which time they repay the loan, including principal and accrued interest.

Question 39

In what range is the initial excise tax under IRC section 4975 for the prohibited transaction due for the 2024 tax year?

- (A) Less than \$1,200
- (B) \$1,200 but less than \$1,700
- (C) \$1,700 but less than \$2,200
- (D) \$2,200 but less than \$2,700
- (E) \$2,700 or more

Data for Question 40 (3 points)

Consider the following statements with respect to the standards of performance of actuarial services:

- I. Company B sponsors a defined benefit plan. Company A is performing due diligence to acquire Company B. Smith is the enrolled actuary for Company B's plan. Company A contacts Smith asking for an explanation of Company B's most recent AFTAP. Smith is not required to provide this service to Company A.
- II. Jones is an enrolled actuary who takes over Company C's actuarial work for 2025 and discovers the 2023 Schedule SB was not filed. Jones must contact the prior actuary in writing to request that the filing be submitted.
- III. An enrolled actuary must exercise due diligence in the course of completing work to be sent to the Department of Treasury, Department of Labor, or the PBGC.

Question 40

Which, if any, of the above statements is (are) true?

- (A) I only
- (B) I and II only
- (C) II only
- (D) II and III only
- (E) The correct answer is not given by (A), (B), (C), or (D) above

Data for Question 41 (3 points)

Plan effective date: 1/1/2008

The plan's actuary certifies the 2024 AFTAP on 3/31/2024.

The plan is amended on 6/1/2024 to increase benefits effective 1/1/2024.

There have been no annuity purchases.

Selected plan data as of 1/1/2024:

Funding balances	\$50,000
Actuarial (market) value of assets	4,100,000
Funding target (before amendment)	5,500,000
Funding target (after amendment)	5,750,000
2024 effective interest rate	4.75%

\$X is the IRC section 436 contribution the plan sponsor must make on 6/1/2024 in order for the amendment to take effect.

Question 41

In what range is **\$X**?

- (A) Less than \$250,000
- (B) \$250,000 but less than \$400,000
- (C) \$400,000 but less than \$550,000
- (D) \$550,000 but less than \$700,000
- (E) \$700,000 or more

Data for Question 42 (3 points)

Suspension of benefits notices are not provided to participants under a plan.

Plan actuarial equivalence: 4.75% interest and applicable mortality

Selected data for participant Smith:

Date of late retirement	1/1/2025
Age at late retirement	66
Years of service at 1/1/2025	10
Annual compensation for each year	\$310,000

	Late retirement factor <u>from age 65</u>	Lump sum factor at <u>late retirement</u>
Applicable mortality and 5.00%	1.0763	12.2278
Applicable mortality and 4.75%	1.0744	12.4962
Applicable mortality and 5.50%	1.0802	11.7197
Applicable 417(e) assumptions	1.0769	11.6663

$\$X$ = Smith's maximum lump sum benefit allowable under IRC section 415 upon late retirement.

Question 42

In what range is $\$X$?

- (A) Less than \$3,490,000
- (B) \$3,490,000 but less than \$3,510,000
- (C) \$3,510,000 but less than \$3,530,000
- (D) \$3,530,000 but less than \$3,550,000
- (E) \$3,550,000 or more

Data for Question 43 (2 points)

Selected data for participant Smith:

Date of birth	1/1/1960
Date of hire	1/1/2010
Date of retirement	1/1/2025

<u>Year</u>	<u>Annual compensation</u>
2010-2015	\$230,000
2018-2021	200,000
2023-2024	250,000

Smith was not employed by the employer for years 2016, 2017, and 2022.

$\$X$ = Smith's maximum annual allowable benefit under IRC section 415, payable at date of retirement

Question 43

In what range is $\$X$?

- (A) Less than \$231,000
- (B) \$231,000 but less than \$236,000
- (C) \$236,000 but less than \$241,000
- (D) \$241,000 but less than \$246,000
- (E) \$246,000 or more

Data for Question 44 (3 points)

Normal retirement benefit: 1% of final 3-year average compensation for each year of service

Data for non-key participant Smith:

Date of hire 1/1/2011

<u>Year</u>	<u>Compensation</u>
2011	\$40,000
2012	41,000
2013	42,000
2014	44,000
2015	49,000
2016	52,000
2017	50,000
2018	53,000
2019	57,000
2020	59,000
2021	59,000
2022	67,000
2023	69,000
2024	71,000

The plan was determined to be top-heavy only for the plan years 2011 through 2022.

Question 44

In what range is Smith's annual accrued benefit as of 12/31/2024?

- (A) Less than \$10,000
- (B) \$10,000 but less than \$11,500
- (C) \$11,500 but less than \$13,000
- (D) \$13,000 but less than \$14,500
- (E) \$14,500 or more

Data for Question 45 (3 points)

Selected plan provisions:

Plan benefit formula	8% of average compensation per year of service
Early retirement age	Age 55 with 5 years of service
Reduction for early commencement	Accrued benefit reduced 3% each year the benefit commencement date precedes the normal retirement date
Vesting schedule	6-year graded

Selected data for participant Smith:

Date of birth	1/1/1970
Date of hire	1/1/2015
Date of termination	12/31/2019
Annual compensation for each year	\$80,000

Question 45

In what range is Smith's monthly vested benefit at Smith's earliest commencement date?

- (A) Less than \$1,200
- (B) \$1,200 but less than \$1,600
- (C) \$1,600 but less than \$2,000
- (D) \$2,000 but less than \$2,400
- (E) \$2,400 or more

****END OF EXAMINATION****