

Data for Question 9 (1 point)

This question consists of an assertion in the left-hand column and a reason in the right-hand column.

ASSERTION

The deductible limit for a single employer defined benefit plan is limited to 150% of the funding target less the actuarial value of plan assets.

REASON

The deductible limit based on 140% of current liability applies to multiemployer plans only.

Question 9

Which of the following statements is (are) true?

- (A) Both the assertion and the reason are true statements and the reason is a correct explanation of the assertion.
- (B) Both the assertion and the reason are true statements and the reason is NOT a correct explanation of the assertion.
- (C) The assertion is a true statement, but the reason is a false statement.
- (D) The assertion is a false statement, but the reason is a true statement.
- (E) Both the assertion and the reason are false statements.

404(a) practice problems

Problem 2

DATA (4 points)

(Modified EA-2A question 2003-19)

Plan type: Multiemployer

Plan effective date: 1/1/2008.

Actuarial cost method: Unit credit.

Valuation interest rate: 7% per year.

Selected valuation results:

	<u>1/1/2008</u>	<u>1/1/2009</u>
Normal cost	\$55,000	\$40,000
Accrued liability	100,000	130,000
Actuarial (market) value of assets	0	75,000

The employer contributed an amount equal to the maximum deductible contribution for 2008 on 7/1/2008.

QUESTION

In what range is the minimum required contribution for 2009 payable 12/31/2009?

- (A) Less than \$44,000
- (B) \$44,000 but less than \$47,000
- (C) \$47,000 but less than \$50,000
- (D) \$50,000 but less than \$53,000
- (E) \$53,000 or more

404(a) practice problems

Problem 14

DATA (3 points)

(Modified EA-2A question 2003-30)

Plan type: Multiemployer

Plan effective date: 1/1/2008.

Actuarial cost method: Unit credit.

Valuation interest rate: 7% per year.

Selected valuation results as of:	<u>1/1/2008</u>	<u>1/1/2009</u>
Normal cost	\$75,000	\$75,000
Actuarial accrued liability	0	134,000
Actuarial (market) value of assets	0	50,000
Expected benefit payments	0	0

Current liability (including expected increase for the year due to benefits accruing during the plan year) adjusted to 12/31/2009: \$144,000.

Contribution for the 2008 plan year paid on 7/1/2008: \$80,000.

The entire contribution for the 2009 plan year was made on 12/31/2009 in an amount equal to the deductible limit.

QUESTION

In what range is the deductible limit for the 2009 plan year?

- (A) Less than \$145,000
- (B) \$145,000 but less than \$150,000
- (C) \$150,000 but less than \$155,000
- (D) \$155,000 but less than \$160,000
- (E) \$160,000 or more

404(a) practice problems

Problem 5

DATA (4 points)

(Modified EA-2A question 2004-21)

Plan type: Multiemployer

Plan effective date: 1/1/2011.

Actuarial cost method: Unit credit.

Valuation interest rate: 7% per year.

Credit balance in funding standard account as of 12/31/2013: \$10,000.

Reconciliation account balance as of 1/1/2014: \$5,000.

Selected valuation results as of 1/1/2014:

Actuarial (market) value of assets	\$1,100,000
Accrued liability after assumption change	2,000,000
Normal cost after assumption change	100,000
IRC section 431 amortization charges for	
Initial unfunded liability	65,000
1/1/2014 assumption change	15,000
Expected benefit payments	0

Current liability (including expected increase for the year) adjusted to 12/31/2014: \$1,410,000.

No experience gains or losses occurred prior to the 2013 plan year.

A contribution equal to the deductible limit for 2014 was contributed on 12/31/2014.

QUESTION

In what range is the credit balance as of 12/31/2014?

- (A) Less than \$600,000
- (B) \$600,000 but less than \$620,000
- (C) \$620,000 but less than \$640,000
- (D) \$640,000 but less than \$660,000
- (E) \$660,000 or more

2013

Data for Question 17 (3 points)

Type of plan: Multiemployer.

Actuarial cost method: Projected unit credit.

Valuation interest rate: 8.0%.

Credit balance as of 12/31/2013: \$0.

Selected valuation results as of 1/1/2014:

Minimum required contribution	\$250,000
Normal cost	321,000
Amortization payment of 10-year limitation bases	139,000

Additional 2014 plan year results:

ERISA full funding limitation	\$4,659,000
Current liability projected to end of year	12,201,000
Actuarial value of assets projected to end of year	9,021,000

\$X is the deduction limit for 2014.

Question 17

In what range is \$X?

- (A) Less than \$4,000,000
- (B) \$4,000,000 but less than \$5,500,000
- (C) \$5,500,000 but less than \$7,000,000
- (D) \$7,000,000 but less than \$8,500,000
- (E) \$8,500,000 or more

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