

1999

Data for Question 1 (1 point)

Consider the following statement:

For the purpose of determining the present value of an accrued benefit in connection with a plan spinoff or merger under Internal Revenue Code section 414(l) and regulations thereunder, the present value must be calculated using the assumptions used by the Pension Benefit Guaranty Corporation for terminating plans as of the date of the merger or spinoff.

Question 1

Is the above statement true or false?

(A) True

(B) False

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Two defined benefit plans are merged.

Consider the following statement:

If the sum of the assets is greater than the sum of the present value of accrued benefits determined using reasonable assumptions, it is not necessary to create a schedule of benefits under the IRC section 414(l) regulations.

Question 10

Is the above statement true or false?

(A) True

(B) False

2001

Data for Question 24 (5 points)

Plans A and B are merged effective 1/1/2001. Each plan covers only 2 employees.

Plan A employee data as of 1/1/2001:

Priority category of sec. 4044 of <u>ERISA</u>	<u>Annual Accrued Benefits</u>		<u>Present Value of Accrued Benefits</u>	
	<u>Smith</u>	<u>Brown</u>	<u>Smith</u>	<u>Brown</u>
3	\$20,000		\$200,000	
4	5,000	\$8,000	50,000	\$64,000
5		6,000		48,000

Plan A actuarial (market) value of plan assets as of 1/1/2001: \$320,000.

Plan B employee data as of 1/1/2001:

Priority category of Section 4044 of ERISA	<u>Annual Accrued Benefits</u>		<u>Present Value of Accrued Benefits</u>	
	<u>Green</u>	<u>Jones</u>	<u>Green</u>	<u>Jones</u>
3	\$30,000		\$270,000	
4		\$10,000		\$70,000
5		12,000		84,000

Plan B actuarial (market) value of plan assets as of 1/1/2001: \$400,000.

Question 24

In what range is the additional annual benefit included in the special schedule of benefits for Jones as required by regulation 1.414(l)?

- (A) Less than \$8,000
- (B) \$8,000 but less than \$11,000
- (C) \$11,000 but less than \$14,000
- (D) \$14,000 but less than \$17,000
- (E) \$17,000 or more

2002

Data for Question 30 (4 points)

Two plans merge with the following schedules at merger.

	<u>Plan A</u>	<u>Plan B</u>
Assets at Merger	\$250,000	\$200,000

Schedule of annual benefits:

Priority category	<u>Plan A</u>			<u>Plan B</u>		
	EE1	EE2	EE3	EE4	EE5	EE6
3	\$15,000			\$10,000	\$5,000	
4	5,000	\$4,000			2,000	\$3,000
5		2,000	\$1,000			

Schedule of present values:

Priority category	<u>Plan A</u>			<u>Plan B</u>		
	EE1	EE2	EE3	EE4	EE5	EE6
3	\$150,000			\$120,000	\$50,000	
4	50,000	\$44,000			20,000	\$30,000
5		22,000	\$15,000			

Question 30

In what range is the total amount of benefits that must be scheduled for preservation in the special schedule of benefits under the regulations to IRC section 414(l)?

- (A) Less than \$2,000
- (B) \$2,000 but less than \$4,000
- (C) \$4,000 but less than \$6,000
- (D) \$6,000 but less than \$8,000
- (E) \$8,000 or more

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2003

Data for Question 31 (2 points)

Consider the following dates in connection with a merger or spin-off:

- I. The date on which the affected employees stop accruing benefits in one plan and begin coverage and benefit accruals under another plan
- II. The date as of which the amount of assets to be eventually transferred is calculated
- III. If the merger or spin-off agreement provides that interest is to accrue from a certain date to the date of actual transfer, the date from which such interest will accrue

Question 31

Which, if any, of the above dates are relevant to the determination of the actual date of a merger or spin-off?

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

Data for Question 5 (1 point)

Consider the following statement:

In determining if a spinoff can be considered de minimis, one of the considerations is whether the assets spunoff are less than or equal to 5% of plan assets on at least one day of the plan year in which the spinoff occurs.

Question 5

Is the above statement true or false?

- (A) True
- (B) False

2005

Data for Question 7 (1 point)

An employer sponsors two plans, A and B. Plan A has assets in excess of its termination liabilities. Plan A spins off a group of employees and their accrued benefits to Plan B.

Consider the following statement:

The employer has the option of either transferring a required portion of Plan A's excess assets to Plan B or fully vesting all the benefits of employees in the group being spun off to Plan B.

Question 7

Is the above statement true or false?

- (A) True
- (B) False

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Data for Question 13 (2 points)

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

ASSERTION

The actuary for a plan that is spun-off from a larger plan should continue to use the termination and retirement assumptions that were used by the actuary for the plan before spin-off, without independent verification of the assumptions.

REASON

The anticipated experience for the spun-off portion of the plan is always consistent with the anticipated experience for the full plan before spin-off if the plan provisions in the spun-off plan are unchanged.

Question 13

Which of the following statements is 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, but 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.



Data for Question 50 (4 points) **2009**

Early retirement age: 55 with 20 years of service.

Early retirement benefit: Accrued benefit, payable immediately.

Vested termination benefit, if fewer than 20 years of service: Accrued benefit, payable at age 65.

Select participant data:

	<u>Smith</u>	<u>Jones</u>	<u>Brown</u>
Date of birth	1/1/1955	1/1/1960	1/1/1955
Date of hire	1/1/1990	1/1/1995	1/1/2000
Monthly accrued benefit	\$1,500	\$1,125	\$750

Selected assumptions for 414(l) calculations:

Interest	7% per year
Pre-retirement decrements	None
Retirement age	Earliest eligibility

Selected commutation functions to be used for 414(l) calculations:

<u>Age</u>	<u><math>D_x</math></u>	<u><math>N_x^{(12)}</math></u>
55	229,697	2,724,628
60	159,659	1,757,789
65	109,332	1,089,694

The plan is over 100% funded based on IRC section 414(l).

The assumptions are deemed reasonable.

On 1/1/2010, the benefits for Smith, Jones, and Brown are spun off into another qualified defined benefit plan maintained by an employer outside of the controlled group.

Question 50

In what range is the minimum asset value that must be allocated to Smith, Jones, and Brown to meet the requirements of IRC section 414(l)?

- (A) Less than \$220,000
- (B) \$220,000 but less than \$270,000
- (C) \$270,000 but less than \$320,000
- (D) \$320,000 but less than \$370,000
- (E) \$370,000 or more

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