

404(a) practice problems

Problem 18

DATA (4 points)

(Modified EA-2A question 2004-24)

Plan type: Multiemployer

Plan effective date: 1/1/2004.

Actuarial cost method: Unit credit.

Valuation interest rate: 7% per year.

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

Selected valuation results as of 1/1/2014:

Normal cost	75,000
Accrued liability	1,000,000
Actuarial (market) value of assets	800,000
Current liability	720,000

Current liability (including expected increase for the year) adjusted to 12/31/2014: 800,000.

All prior amortization bases were considered fully amortized as of 12/31/2013.

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

QUESTION

In what range is the deductible limit for 2014?

- (A) Less than \$245,000
- (B) \$245,000 but less than \$250,000
- (C) \$250,000 but less than \$255,000
- (D) \$255,000 but less than \$260,000
- (E) \$260,000 or more

2007

Data for Question 17 (5 points)

Type of plan: Multiemployer plan.

Plan effective date: 1/1/2005.

Actuarial cost method: Frozen initial liability.

Valuation interest rate: 7% per year.

Current liability interest rate: 6% per year.

Credit balance in the funding standard account as of 12/31/2006: \$0.

Selected valuation results as of 1/1/2007:

Normal cost	\$200,000
Unfunded accrued liability	800,000
Market value of assets	450,000
Actuarial value of assets	500,000
Accrued liability under the entry age normal method	1,000,000
Normal cost under the entry age normal method	100,000
Current liability	540,000
Expected increase in current liability	
due to benefits accruing during the plan year	200,000
Expected benefit payments	0

Contribution for 2007 made on 7/1/2007: \$900,000.

Question 17

In what range is the excise tax due to the contribution in excess of the deductible limit for 2007?

- (A) Less than \$25,000
- (B) \$25,000 but less than \$40,000
- (C) \$40,000 but less than \$55,000
- (D) \$55,000 but less than \$70,000
- (E) \$70,000 or more

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