

EA-2F

OVERHEADS

FALL 2017

# GUIDELINES

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1. Old Exams Too Simple
2. Good Multifunction Calculator
3. Calculator “Tricks”
4. Read Questions Carefully
5.  $\ddot{a}_{65}^{(12)} \ddot{O} \ddot{a}_{65} - \frac{11}{24}$
6. “My Way” versus the “Right Way”
7. Avoid Arithmetic Errors - Compare Answer To Ranges (later - page 8)
8. Know All Conditions - General and Pension

# **2017 GENERAL CONDITIONS – PLAN PROVISIONS**

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- 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 life 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.**

## **2017 GENERAL CONDITIONS – PLAN PROVISIONS**

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- 6. There are no, and never have been, 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, accrued benefit is defined likewise.**
- 9. Actuarial equivalence is based on interest and mortality table assumed for funding**
- 10. Qualified joint and survivor annuities, qualified preretirement survivor annuities, and other forms of payment are provided in such manner that they result in no cost to the employer.**

## **2017 GENERAL CONDITIONS – PLAN PROVISIONS**

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- 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. Applicable mortality table and applicable interest rate - as defined in 417(e)(3)**
- 14. Plan is not an “applicable defined benefit plan” (Cash Balance) under 411(a)(13)(C)**

## **2017 GENERAL CONDITIONS – FUNDING**

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- 15. Any actuarial valuation encompasses not only all active employees but also retired employees, beneficiaries, 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. The assumed retirement age is the normal retirement age.**
- 18. There are no pre-retirement decrements.**

**(many exam conditions not shown)**

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## **2017 MISCELLANEOUS CONDITIONS**

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- 50. Code and regulations through May 31, 2017 (including proposed regulations)**
- 51. The plan is sponsored by a single employer; the sponsoring employer is not a member of a controlled group**
- 52. The plan is not established or maintained in connection with a collectively bargained agreement**
- 53. Employees subject to a collective bargaining agreement are non-professional. Plan coverage for CBA employees is due to the CBA**
- 54. The plan year, the employer's limitation year, and the employer's tax year are all the calendar year**
- 55. Employer has never maintained a defined contribution plan or other defined benefit plan. No employee has been covered under another plan which had to be aggregated with the employer's plans under IRC 415**



## **2017 MISCELLANEOUS CONDITIONS**

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- 56. Test that compensation values < 401(a)(17) limit (if given sufficient information)**
- 57. Test that plan benefits < 415 limits (if given sufficient information)**
- 58. Plan is covered by PBGC**
- 59. Assume "union" == "collectively bargained"**
- 60. Plan sponsor has never been in bankruptcy**
- 64. The plan has not been top-heavy in any year**
- 65. Plan sponsor did not elect funding relief under PRA 2010**
- 66. Multiemployer plan never applied for approval to suspend benefits under IRC 432(e)(9)**

# IMPLIED RANGES

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## Sample Answer Ranges:

- A.  $<10,000$
- B.  $10,000 - 10,500$
- C.  $10,500 - 11,000$
- D.  $11,000 - 11,500$
- E.  $11,500 ++$

Which answers may be the result of arithmetic errors?

5,000	9,000
9,800	12,500

# **IMPLIED RANGES HISTORICAL ANALYSIS**

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**Number of questions where numerical answer  
is outside of A/E implied ranges**

**SPRING EA-1 EXAMS: never**

**FALL EA-2 EXAMS: rarely (pre-1990)**

## **CONCLUSION:**

**You can know when an A/E answer is bogus.  
Answers should fall within implied range!**

***COST METHOD PROBLEMS (EA-1B) BY TYPE***

<b>Problem Type</b>	<b>2016 Exam</b>	<b>2015 Exam</b>	<b>2014 Exam</b>	<b>2013 Exam</b>	<b>2012 Exam</b>	<b>2011 Exam</b>	<b>2010 Exam</b>	<b>2009 Exam</b>	<b>2008 Exam</b>	<b>2007 Exam</b>	<b>2006 Exam</b>
<b>Unit credit</b>											
<b>E.A.N.</b>	15, 41, 43	03, 07, 39	43	45, 54			49				33
<b>I.L.P.</b>											43
<b>AGG</b>				34	06, 45	35		35			
<b>FIL</b>	07	26	39		34	30					13, 42
<b>AAN</b>											
<b>Indiv AGG</b>											
<b>PUC</b>	20, 21	22, 29	03, 12, 20		24						17, 35, 44
<b>EECWI</b>				29, 56	53						
<b>Side Fund</b>											
<b>G&amp;L: AGG</b>			48		32, 35			26, 36 56		09	19
<b>G&amp;L: Source</b>	45, 49	28	28	19	19, 41	46	15, 24	32, 43 47	45	14, 31 43	11, 25, 28, 40
<b>J &amp; S</b>											
<b>L.I.B.</b>											
<b>Ancillary</b>	34	37	14	30, 51	20	26	35, 44	51	14, 34 46	33, 34	01, 06, 31
<b>Other</b>											

# EA-2F VERSUS EA-2 EXAMS

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## EA-2F EXAM

## OLD EA-2 EXAM

1 point True/False	1 point True/False
2-5 points all other	4 points all other
160 points total	140 points total
4.0 hours - 240 min	4.0 hours - 240 min
Average 1.5 min / pt	Average 1.7 min / pt

**2014 Pass mark 112.0 points, 70.0% correct**

**2015 Pass mark 112.0 points, 70.0% correct**

**2016 Pass mark 109.0 points, 68.1% correct**

- ) KEY - smartest 45% of students will pass**
- ) Passing score varies (exam harder / easier)**
- ) No penalty for wrong answers**
- ) Don't leave any blank answers**

## **OPENING / CLOSING COMMENTS**

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<b>READ</b>	<b>Internal Revenue Code and regulations (not just outlines)</b>
<b>WORK</b>	<b>Prior exam problems (5+ years) and practice problems</b>
<b>EXPECT</b>	<b>Similar problems as last 2 years</b>
<b>STUDY</b>	<b>"New stuff" in last 2 years' exams</b>
<b>REVIEW</b>	<b>Lengthy exam solutions give background of WHY - not just HOW to solve problem</b>
<b>EMAIL</b>	<b>Follow-up questions, clarifications after the seminar</b>

# **SUMMARY OF OVERHEAD SECTIONS**

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- A. Introduction**
- B. Cost Methods**
- C. Employee Contributions**
- D. Gains and Losses**
- E. Optional Forms of Benefit Payment**
- F. Ancillary Benefits**
- G. End of Year Valuation**
- H. Yield Curve + Segment rates**
- I. Yield Curve - Present Value Calculations**
- J. IRC 430 Minimum Contributions**
- K. IRC 430(i) At-Risk Plans**
- L. IRC 430(j) Quarterly Contributions**
- M. IRC 436 - Benefit Restrictions**
- N. IRC 412 - Waivers**
- O. IRC 404(o) Maximum Deductible Limit**
- P. IRC 417(e) - Cash out restrictions**
- Q. IRC 431 - Multiemployer Plans**
- R. IRC 432 - Multiemployer Plans**
- S. IRC 404 - Multiemployer Plans**
- T. IRC 414(I) - Mergers and Spinoffs**

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