

2001

Data for Question 3 (1 point)

Plan year: Calendar year

An employer offers an early retirement window to certain plan participants who retire between October 1, 2000 and March 31, 2001. The employer performs a discrimination test for the plan in both 2000 and 2001.

Consider the following statement:

Each participant's additional accrual of benefits resulting from the acceptance of this early retirement window will be recognized for the purpose of discrimination testing in the year in which the participant retires.

Question 3

Is the above statement true or false?

(A) True

(B) False

Data for Question 6 (1 point)

Consider the following statement:

A former employee shall be treated as a highly compensated employee if the former employee was either:

- (1) a highly compensated employee when such employee separated from service; or
- (2) a highly compensated employee at any time after attaining age 55.

Question 6

Is the above statement true or false?

- (A) True
- (B) False

2015

Data for Question 13 (1 point)

A plan has different benefit formulas for each of four employee groups. There have never been any HCEs in the plan.

Consider the following statement:

The plan satisfies the nondiscrimination requirements under IRC section 401(a)(4).

Question 13

Is the above statement true or false?

- (A) True
- (B) False

2015

Data for Question 22 (5 points)

Nondiscrimination testing is performed using a current plan year measurement period.

A permitted disparity factor of 0.65 is used for all participants.

Data for all participants for 2015 is as follows:

<u>Group</u>	<u>Count</u>	<u>HCE/NHCE</u>	<u>2015 compensation</u>	<u>Covered compensation</u>	<u>2015 accrual</u>	<u>Unadjusted accrual rate</u>
1	5	HCE	\$225,000	\$75,000	\$5,625	2.50%
2	2	HCE	225,000	90,000	4,950	2.20%
3	1	HCE	255,000	105,000	6,000	2.35%
4	10	NHCE	50,000	90,000	1,500	3.00%
5	10	NHCE	50,000	90,000	1,100	2.20%
6	20	NHCE	50,000	90,000	900	1.80%
7	20	NHCE	50,000	105,000	500	1.00%

All participants were hired after 1985.

Each participant's normal accrual rate and most valuable accrual rate are equal.

Question 22

In what range is the rate group percentage for the HCE in group 3?

- (A) Less than 25%
- (B) 25% but less than 40%
- (C) 40% but less than 55%
- (D) 55% but less than 70%
- (E) 70% or more

Data for Question 32 (1 point)

A plan covers both salaried and hourly workers. The plan offers an insured death benefit to only the salaried workers.

Count of active participants for the plan:

HCE and salaried	3
HCE and hourly	0
NHCE and salaried	8
NHCE and hourly	3

Consider the following statement:

The insured death benefit satisfies the current availability of benefits, rights, and features requirement under Regulation 1.401(a)(4)-4.

Question 32

Is the above statement true or false?

- (A) True
- (B) False

2015

Data for Question 41 (5 points)

Selected plan provisions:

Normal retirement eligibility	Age 65
Early retirement eligibility	Age 62 with 25 years of service
Qualified joint and survivor annuity	Actuarially equivalent joint and 100% survivor

Nondiscrimination testing methods and assumptions for the 2014 plan year:

Testing method	Benefits basis
Measurement period	Current plan year
Testing age	65
Interest rate	8%
Pre-retirement mortality	None

Selected factors and annuity values:

<u>Age</u>	<u>Early retirement factor</u>	<u>Life annuity</u>		<u>QJSA</u>	
		<u>Plan basis</u>	<u>Testing basis</u>	<u>Plan basis</u>	<u>Testing basis</u>
62	0.85	10.00	10.11	12.49	11.45
63	0.90	9.85	9.94	12.27	11.33
64	0.95	9.60	9.76	12.04	11.21
65	1.00	9.35	9.58	11.80	11.08

Data for participant Smith:

Date of birth	12/31/1952
Date of hire	12/31/1986
12/31/2013 accrued benefit	\$29,000 per year
12/31/2014 accrued benefit	\$32,000 per year
2014 testing compensation	\$80,000

Question 41

In what range is Smith's most valuable accrual rate for 2014?

- (A) Less than 3.60%
- (B) 3.60% but less than 3.80%
- (C) 3.80% but less than 4.00%
- (D) 4.00% but less than 4.20%
- (E) 4.20% or more

2016

Data for Question 36 (5 points)

Selected plan provisions:

Normal retirement age	65
Early retirement eligibility	Age 60
Early retirement benefit	Accrued benefit, reduced 3% per year from age 65
Normal form	Life annuity
Optional form of payment	Qualified joint and 50% survivor annuity (QJSA)
Life annuity to QJSA conversion	95% at all ages

Nondiscrimination testing methods and assumptions:

Method	Benefit basis
Measurement period	Current plan year
Testing age	65
Snapshot date	12/31/2015
Standard interest rate	8.50%

Selected annuity values using testing assumptions:

Age	Life annuity	QJSA	Age	Life annuity	QJSA
60	9.29	9.90	63	8.76	9.44
61	9.12	9.75	64	8.57	9.27
62	8.94	9.60	65	8.38	9.09

Selected data for active participant Smith:

Date of birth	12/31/1955
Spouse's date of birth	12/31/1955
Date of marriage	12/31/1980
Annual testing compensation	\$50,000
Benefit accrued during 2015, payable at age 65	1,000

X = Smith's most valuable accrual rate

Question 36

In what range is X ?

- (A) Less than 2.15%
- (B) 2.15% but less than 2.35%
- (C) 2.35% but less than 2.55%
- (D) 2.55% but less than 2.75%
- (E) 2.75% or more

2016

Data for Question 40 (5 points)

The general test under IRC section 401(a)(4) is using a current plan year measurement period.

Testing is done using plan year compensation as testing compensation.

The plan uses a permitted disparity factor of 0.65% for all participants.

Participant data for 2015:

Group	Number	HCE/ NHCE	Plan compensation	Covered compensation	2015 accrual	Unadjusted accrual rate
A	5	HCE	\$255,000	\$81,000	\$5,875	2.30%
B	2	HCE	85,000	90,000	2,000	2.35%
C	1	HCE	250,000	99,000	6,750	2.70%
D	20	NHCE	78,000	69,000	1,850	2.37%
E	5	NHCE	55,000	105,000	1,700	3.09%
F	40	NHCE	60,000	102,000	1,200	2.00%

All participants were hired after 1985.

Each participant's normal accrual rate and most valuable accrual rate are equal.

X = the ratio percentage for the rate group defined by Group C.

Question 40

In what range is X ?

- (A) Less than 20%
- (B) 20% but less than 40%
- (C) 40% but less than 60%
- (D) 60% but less than 80%
- (E) 80% or more