Data for Question 50 (4 points)

Type of plan: Defined benefit plan for sole proprietor.

Plan effective date: 1/1/1998.

Valuation date: 12/31.

Normal retirement benefit: 85% of highest 5-year average of earned income while a participant.

Actuarial cost method: Individual aggregate.

Actuarial (market) value of assets as of 12/31/1999: $65,000.

Actuarial assumptions:

Valuation interest rate:	7% per year.
Compensation increases:	None.
Preretirement decrements:	None.
Retirement age:	65.

Data for sole participant Smith (owner employee):

Date of birth	1/1/1942
Date of hire	1/1/1995

1998 earned income (after all deductions including plan contributions): $85,000.

1999 earned income (after all deductions other than plan contributions): $100,000.

Selected annuity value:

$$\ddot{a}_{65}^{(12)} = 9.87$$

Credit balance in funding standard account as of 12/31/1998: $0.

Question 50

In what range is the minimum required contribution for 1999 payable 12/31/1999?

(A) Less than $38,000

(B) $38,000 but less than $40,000

(C) $40,000 but less than $42,000

(D) $42,000 but less than $44,000

(E) $44,000 or more

Data for Question 13 (1 point) 2000

A participant elected to start receiving his pension at age 65 on 1/1/1999, even though he continued to work for the plan sponsor.

- The participant had more than 10 years of participation in the plan.
- The annual benefit payable to the participant is $100,000 which equals 100% of the participant's high 3-year average compensation.
- The plan has a cost-of-living feature increasing pensions in pay status each year based on the increase in the CPI as used for IRC section 415 cost-of-living adjustments.
- The participant is still employed on 1/1/2000 and his high 3-year average compensation remains at $100,000.

Consider the following statement:

> The participant's pension can be increased on 1/1/2000 for the cost-of-living increases without violating IRC section 415.

Question 13

Is the above statement true or false?

(A) True

(B) False

Data for Question 37 (3 points)

Plan effective date: 1/1/2000.

Normal retirement benefit: 10% of final 5-year average compensation for each year of participation, with a maximum of 10 years of participation.

Data for participant Smith:

Date of birth	1/1/1952
Date of hire	1/1/2004
Date of participation	1/1/2005

Year	Compensation
2005	$170,000
2006	200,000
2007	190,000
2008	200,000
2009	250,000

Question 37

In what range is Smith's accrued benefit as of 12/31/2009?

(A) Less than $100,000

(B) $100,000 but less than $110,000

(C) $110,000 but less than $120,000

(D) $120,000 but less than $130,000

(E) $130,000 or more

Data for Question 32 (2 points)

Effective date: 1/1/2002.

Data for plan participant Smith:

Date of birth	1/1/1956
Date of hire	1/1/2004
Date of termination	12/31/2006
Date of rehire	1/1/2009

Compensation history:

2004	$100,000
2005	106,000
2006	116,000
2007	0
2008	0
2009	118,000
2010	104,000
2011	106,000

Question 32

What is the average compensation used for Smith as of 12/31/2011 for purposes of IRC section 415?

(A) Less than $110,000

(B) $110,000 but less than $111,000

(C) $111,000 but less than $112,000

(D) $112,000 but less than $113,000

(E) $113,000 or more

Data for Question 13 (4 points)

Selected data for participant Smith:

Date of retirement	1/1/2014
Age at late retirement	66
Years of service	10
Years of participation	9
Annual compensation before 2011	$205,000
2011 compensation	208,000
2012 compensation	210,000
2013 compensation	165,000

	Late retirement factor from age 65	Lump sum factor at late retirement
Applicable mortality and 5.25% (plan actuarial equivalence)	1.089	11.55
Applicable mortality and 5.0%	1.088	11.79
Applicable mortality and 5.5%	1.091	11.32
Applicable 417(e) assumptions	1.054	11.91

Question 13

In what range is Smith's maximum lump sum benefit payable upon late retirement?

(A) Less than $2,179,000

(B) $2,179,000 but less than $2,229,000

(C) $2,229,000 but less than $2,279,000

(D) $2,279,000 but less than $2,329,000

(E) $2,329,000 or more

Data for Question 18 (3 points)

Selected data for participant Smith:

Date of birth	1/1/1960
Date of hire	1/1/2010
Date of entry	1/1/2012
2010 compensation	$60,000
2011 compensation	75,000
2012 compensation	40,000
2013 compensation	250,000

X = Smith's maximum annual accrued benefit as of 12/31/2012, payable as a life annuity at normal retirement date.

Y = Smith's maximum annual accrued benefit as of 12/31/2013, payable as a life annuity at normal retirement date.

Question 18:

In what range is $Y - X$?

(A) Less than $21,500

(B) $21,500 but less than $24,500

(C) $24,500 but less than $27,500

(D) $27,500 but less than $30,500

(E) $30,500 or more

Data for Question 43 (1 point)

A plan's normal form of payment is a life annuity with payments guaranteed for 60 months, with an automatic benefit increase feature.

Consider the following statement:

For purposes of determining whether benefits satisfy the maximum benefit limitations, it is always necessary to make adjustments for both the guaranteed payment period and the automatic benefit increase feature.

Question 43

Is the above statement true or false?

(A) True

(B) False

Data for Question 7 (4 points)

Early retirement eligibility: Age 60.
Early retirement reduction: None.

Actuarial equivalence factors using applicable mortality and 5%:

Early commencement from age 62 to age 60	0.86
Early commencement from age 65 to age 60	0.68

Selected data for Smith:

Date of birth	1/1/1955
Date of hire	1/1/2007
Date of participation	1/1/2008
Date of retirement	1/1/2015
Compensation history by year	
2007	$135,000
2008	140,000
2009	145,000
2010	150,000
2011	155,000
2012	160,000
2013	165,000
2014	100,000

Question 7

In what range is the maximum single life annuity benefit payable to Smith upon retirement?

(A) Less than $108,500

(B) $108,500 but less than $118,000

(C) $118,000 but less than $127,500

(D) $127,500 but less than $137,000

(E) $137,000 or more

Data for Question 28 (5 points)

Normal retirement age: 60.

Normal retirement benefit: 7.5% of final 5-year average compensation for each year of service.

Pre-retirement death benefit: Present value of accrued benefits.

Selected data for Smith:

Date of birth	12/31/1955
Date of hire	1/1/2007
Date of participation	1/1/2008
Date of retirement	12/31/2015
Compensation for each year of employment	$260,000
Form of benefit	Life annuity
Actuarial equivalence interest rate	8%
Actuarial equivalence mortality	Applicable mortality

Annuity factors using applicable mortality:

	$\ddot{a}_{65}^{(12)}$	
x	5%	8%
60	13.56	10.84
61	13.27	10.67
62	12.98	10.50

Question 28

In what range is Smith's retirement benefit as of 12/31/2015?

(A) Less than $144,000

(B) $144,000 but less than $152,000

(C) $152,000 but less than $160,000

(D) $160,000 but less than $168,000

(E) $168,000 or more

Data for Question 40 (1 point)

Selected data for participant Smith:

Age	65
Service	15
Average annual compensation for highest consecutive 3 years of service	$7,500

Smith commences an annual benefit of $8,000 payable as a straight life annuity beginning at age 65.

Consider the following statement:

Payment of this benefit to Smith does not violate IRC section 415 benefit limitations.

Question 40

Is the above statement true or false?

(A) True

(B) False