MULTIEMPLOYER

SUMMARY OF RECENT EXAMS

	07	08	09	10	11	12	13	14	15
PBGC	7.5	13.5	10.8	7.5	10.5	7.5	9.3	5.5	7.8
§401/410	6.3	7.3	3.5	6.5	4.3	5.0	3.3	5.0	6.8
§411/417	3.5	5.3	5.0	3.8	7.0	3.5	5.0	4.0	3.5
§415/416	4.0					5.5	5.8	4.5	5.8
§436			1.5	4.5	3.8	2.3	2.5	4.5	1.5
MULTI	1.0	2.3	3.5	3.3	2.3	2.0	2.8	1.5	1.3
OTHER	2.8	2.5	4.8	5.8	2.3	4.0	3.0	2.3	2.0
TOTAL	25.1	30.8	29.1	31.4	30.2	29.8	31.7	27.3	28.7

	Total for last 9 years			Normalized: Last 5 Yr		
	Num	Avg	Percent	Num	Avg	Percent
PBGC	79.8	8.9	34%	41.1	8.2	30%
§401/410	47.8	5.3	20%	25.0	5.0	18%
§411/417	40.5	4.5	17%	23.4	4.7	17%
§415/416	25.5	2.8	11%	22.0	4.4	16%
§436	20.5	2.3	9%	14.9	3.0	11%
MULTI	19.8	2.2	8%	9.9	2.0	7%
OTHER	29.3	3.3		13.7	2.7	
TOTAL	263.0	29.2	100%	150.0	30.0	100%

T/F Questions weighted .25, others weighted 1.0
Normalized values based on 30 points per year

SUMMARY OF EA-2L PROBLEMS BY TYPE (INCLUDING 2016)

Problem Type	2016 Exam	2015 Exam	2014 Exam	2013 Exam	2012 Exam	2011 Exam	2010 Exam	2009 Exam	2008 Exam	2007 Exam
401(a)(4)	36, 40	13, 19, 22, 32, 41	21, 27	22		44	06, 27, 41, 47	06, 30, 38	01, 19, 20, 28	18, 22, 30
1.401(a)(4)-5							26			21
401(a)(26)	21	04			24, 42, 44			42	23, 31	35
410(b)	05, 27	11	03, 06, 16	29, 45, 47	27, 30	11, 28, 41, 45	21, 25, 36	18	21, 22	04, 33
411 EE contrib		16				23, 35	28		05	31
411 misc	19, 29, 41	02, 23, 26	09, 12, 34, 37, 39	07, 13, 23, 33, 40	12, 23, 28, 41	08, 09, 18, 30, 39, 40	07, 09, 16, 30, 43	01, 02, 03, 07, 31, 37, 44	02, 04, 06, 24, 25	01, 19
415	03, 09, 25, 39	07, 28, 40	13, 18, 43	05, 26, 35, 36, 39	02, 20, 29, 38					11, 14, 25, 29, 37
416	11, 17, 26, 33	03, 17, 42, 43, 44	05, 25, 41	02, 15, 30, 32	07, 36, 37					09
417 QJSA/QPSA	20	25	01, 07	20, 44	09	02, 24	42	10, 33	03, 26, 27	06, 20
4975 prohib trans	15, 31	20, 36	33, 35	21, 31	04	05, 13			16, 41	
4980 reversion	02	39	31	10, 37	05, 26	06, 22	03, 32	12, 43	13, 14, 37, 40	26, 34
PBGC VRP	06, 16, 37, 42	01, 09, 15, 45	28, 30, 38, 42	16, 27, 34	16, 21, 40	12, 20, 25, 32, 34	22, 35, 39	08, 23, 28	07, 08, 29, 32, 33	07, 12, 17, 24
PBGC plan term	07, 10, 12, 23, 34	31	10, 22	17, 28	13, 17, 25	01, 15, 36	12, 13, 31	34, 36	09, 10	13
PBGC gtd ben		24	08	41	39	27, 38, 43	29	22, 27, 41	11, 18, 34, 35, 36	28
PBGC other	28	05, 06, 08, 10, 18, 29	02, 29	14, 19, 42, 43, 46	01, 06, 34	16, 26, 37	08, 17, 19	14, 16, 35, 40	17, 30	02, 03, 15, 32
Multiemployer	04, 13, 24, 38	14, 21	11, 24, 40	03, 04, 08, 09, 24	22, 32	07, 33, 42	02, 23, 37, 40	11, 20, 21, 24, 25	12, 38, 39	27
436 restrictions	08, 18, 22, 32, 35	34, 35, 38	14, 15, 20, 23, 26, 36	01, 06, 18, 25, 38	08, 33, 43	04, 10, 14, 21, 29, 31	05, 15, 24, 34, 38, 46	09, 19, 26		
None of the above	01, 14, 30	12, 27, 30, 33, 37, 46, 47	04, 17, 19, 32	11, 12, 48	03, 10, 11, 14, 15, 18, 19, 31, 35	03, 17, 19	01, 04, 10, 11, 14, 18, 20, 33, 44, 45	04, 05, 13, 15, 17, 29, 32, 39	15, 42	05, 08, 16, 36

This summary is <u>not</u> consistent with the summary shown on prior page (by code section)
Problems on IRC 414(l), 415, 416 and 417(e) were tested on the EA-2A exam from 2007-2011

OPENING / CLOSING COMMENTS

READ	Internal Revenue Code and regulations (not just outlines)
WORK	Prior exam problems (5+ years) and practice problems
EXPECT	Similar problems as last 2 years
STUDY	"New stuff" in last 2 years' exams
REVIEW	Lengthy exam solutions give background of WHY - not just HOW to solve problem
EMAIL	Follow-up questions, clarifications after the seminar
PLAN	Allocate study time per topic based on # points tested on exam

MULTIEMPLOYER SUMMARY

ERISA

4211
- **Withdrawal liability**
  - **Presumptive**
  - **Modified Presumptive**
  - **Rolling Five method**
  - **Direct Attribution**

- **Previously Withdrawn Employers**
  - **Uncollectible liabilities**
  - **Collectible liabilities**

- **De minimis rules**
  - **4209** **Standard**
  - **4209** **Alternative**

- **Partial withdrawal liability**
  - **4205** **Cessation of contributions**
  - **4206** **Due to 70% decline**

4219
- **Withdrawal liability Payment Amount**

ERISA 4213
ACTUARIAL ASSUMPTIONS

Determination of unfunded vested benefits must be based on assumptions that are

- **reasonable in the aggregate, and**
- **which represent the actuary's best estimate of anticipated experience under the plan**

The actuary may rely on the most recent valuation under IRC 412, and reasonable estimates for interim years

ERISA 4201(b)
EMPLOYER WITHDRAWAL LIABILITY

- Employer Withdrawal liability = Employer share less the deductible
- Employer share is defined based on withdrawal liability method (usually Rolling Five method)
- Deductible = de minimis amount after reduction for employer share

ERISA 4211(b)(1)
PRESUMPTIVE METHOD

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1. Calculate total UVB at plan year end preceding 09/29/80

2. Each year's UVB is <u>presumed</u> to decrease 5% of the original amount each year

3. For following year, new UVB piece = Total UVB less .95(pre-1980 UVB)

4. Continue up to plan year end prior to year of withdrawal (many pools)

5. Employer share of each pool is ratio of employer contributions to total - over five years preceding date each pool is established

6. Employer withdrawal liability is employer share less the deductible

ERISA 4209
DE MINIMIS RULES / DEDUCTIBLES

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1) Standard de minimis rule
   a) Also called mandatory de minimis or default de minimis
   b) De minimis = lesser of 50,000 or .75% of total UVB liability
   c) Deductible = de minimis less (excess of employer share over 100,000)

2) Alternative de minimis rule
   a) Also called secondary de minimis or second de minimis
   b) De minimis = lesser of 100,000 or .75% of total UVB liability
   c) Deductible = de minimis less (excess of employer share over 150,000)
   d) Change versus standard is add'l 50,000

De minimis rules do not apply in case of mass withdrawal of employers

ERISA 4211(c)(2)(A)
MODIFIED PRESUMPTIVE METHOD

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1. Calculate total UVB at plan year end preceding 09/29/80

2. This initial UVB is assumed to decrease based on 15 year interest amortization

3. At plan year end prior to year of withdrawal, calculate O/S amount of initial pool
   $= (1980\ UVB) * (\ddot{a}_{\overline{n}|i} / \ddot{a}_{\overline{15}|i})$

4. Amount of second pool is total UVB less O/S amount of initial pool

5. Employer share of <u>two pools</u> based on 5 yr. employer contribution ratios (like presumptive)

6. Employer withdrawal liability is employer share less the deductible (like presumptive)

ERISA 4211(c)(3)
ROLLING FIVE METHOD (ONE POOL)

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1. Calculate total UVB at plan year end preceding withdrawal

2. Employer share of <u>one pool</u> based on 5 yr. employer contribution ratios (like presumptive)

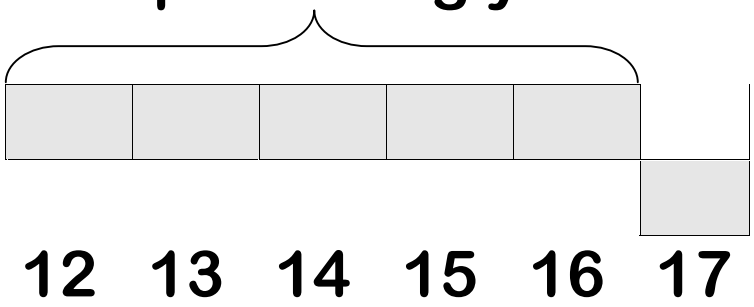
3. Employer withdrawal liability is employer share less the deductible (like presumptive)

EMPLOYER SHARE CALCULATION
5 YEAR EMPLOYER CONTRIBUTION RATIOS

Calculate employer share for 2017 withdrawal

2017 is year of withdrawal
Use UVB at 12/31/2016
Fraction = $\frac{\text{ER contributions: 2012 - 2016}}{\text{Total contributions: 2012 - 2016}}$
Denominator period ends 12/31/2016

5 years preceding year of withdrawal



ER Share = (Total UVB) * Fraction
ER W/D Liability = ER Share minus deductible

HANDLING OF UNCOLLECTIBLES

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(1) Rolling 5 and Modified Presumptive include any uncollectible liability in the given UVB amount, handled "automatically"

(2) Presumptive does not include uncollectible. Must calculate and handle as a separate UVB pool that decreases 5% of original amount each year

(3) Except for Presumptive method, the five year contribution ratios for total plan should exclude <u>all</u> employers who have previously withdrawn (whether or not the liability is uncollectible)

HANDLING OF UNCOLLECTIBLES
ROLLING FIVE / MODIFIED PRESUMPTIVE

Assume 2017 is actual year of withdrawal

Five year contribution ratios:

	2012	2013	2014	2015	2016
Withdrawing Employer	{A +	B +	C +	D +	E}
ALL Employers	{V +	W +	X +	Y +	Z
	- G -	H -	I -	J -	K
	- L -	M -	N -	O -	P}

Less Uncollectible Employers

Less Collectible Employers

HANDLING OF UNCOLLECTIBLES PRESUMPTIVE METHOD

Assume 2017 is actual year of withdrawal

Five year contribution ratios:

	2012	2013	2014	2015	2016
Withdrawing Employer	{A +	B +	C +	D +	E}
ALL Employers	{V +	W +	X +	Y +	Z
	- G -	H -	I -	J -	K}

Less Collectible Employers

Each new layer of UVB has different ratio, based on year the new layer is established. Only subtract contributions for employers that withdraw in year the new layer is established.

Separate UVB pool for uncollectible employers

4211 REGULATION CHANGES (2009)

- Denominator of 5 year contribution ratios can be modified to include contributions
  - received or accrued for the year, even though attributed to different year under IRC 412/431
  - actually received for the year, increased by contributions paid for period up to 8 ½ months after the end of the plan year

- Denominator of 5 year contribution ratios can be modified to only exclude contributions of "significant withdrawn employers"
  - employer to which the plan has sent a notice of withdrawal liability under ERISA 4219, or
  - employer that in any plan year used to determine the denominator of a fraction contributed at least $250,000 or, if less, 1% of all contributions by employers for that year

- "Fresh start" rules under presumptive and modified presumptive methods

ERISA 4205(b)(2)(A)
PARTIAL WITHDRAWAL

Generic partial withdrawal, (not due to a 70% contribution decline)

- **Cessation of obligation to contribute under collective bargaining agreement (CBA)**
- **Cessation of obligation to contribute under plan for certain facilities**
- **Above events are for one or more CBA (or facilities), but not <u>ALL</u> CBA (or facilities)**

ERISA 4206(a)
PARTIAL WITHDRAWAL LIABILITY

Multiply "complete" withdrawal liability (after reducing by the deductible) by a fraction:

The fraction is

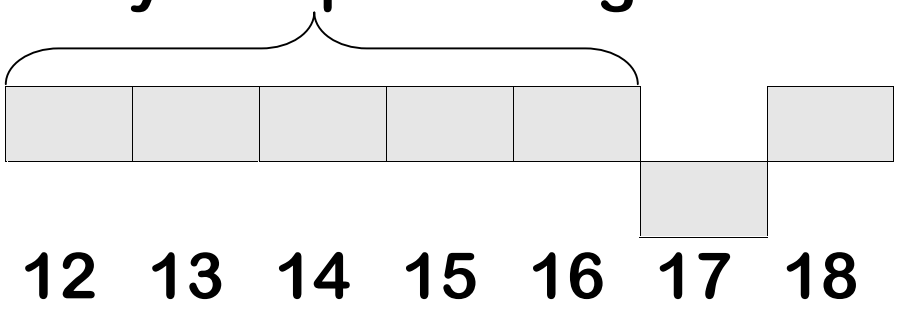
$$1.0 - \frac{\text{Base units for plan year following plan year of partial withdrawal}}{\text{Average base units during 5 yr. period preceding plan yr. of partial withdrawal}}$$

EXAMPLE - PARTIAL WITHDRAWAL LIABILITY

Calculation of employer partial withdrawal liability for 2017, not due to a 70% decline:

2017 is actual year of partial withdrawal
Use UVB at 12/31/2016
Fraction is $1.0 - \frac{\text{2018 units}}{\text{(2012 - 2016 average)}}$
Denominator period ends 12/31/2016

5 base years preceding withdrawal year



ERISA 4205(b)(2)(A)
PARTIAL WITHDRAWAL – 70% DECLINE

Partial withdrawal due to a 70% contribution decline occurs when 30% of units in the "high base year" exceeds the units in each year of the "three year testing period".

- **The "three year testing period" includes the year that the 70% decline occurs.**
- **Units in the "high base year" equals the average of two highest years in preceding five years.**
- **The actual year of withdrawal is the last year of the "three year testing period".**

PARTIAL WITHDRAWAL LIABILITY
70% CONTRIBUTION DECLINE

You can determine year of partial withdrawal by comparing

- **Average of highest 2 of 5 base years to**
- **{Highest in 3 year testing period} / 30%**

Contribution Base Units:

2010	A	Five Base years
2011	B	
2012	C	
2013	D	
2014	E	
2015	F	Three Year Testing
2016	G	
2017	H	

If conditions are met, then 2017 is year of partial withdrawal

ERISA 4206(a)
PARTIAL WITHDRAWAL – 70% DECLINE

Multiply "complete" withdrawal liability (after reducing by the deductible) by a fraction. If 70% contribution decline, then

(1) Initial year of the three year testing period is considered as the year of withdrawal for calculation of employer share of UVB

(2) The modified fraction is

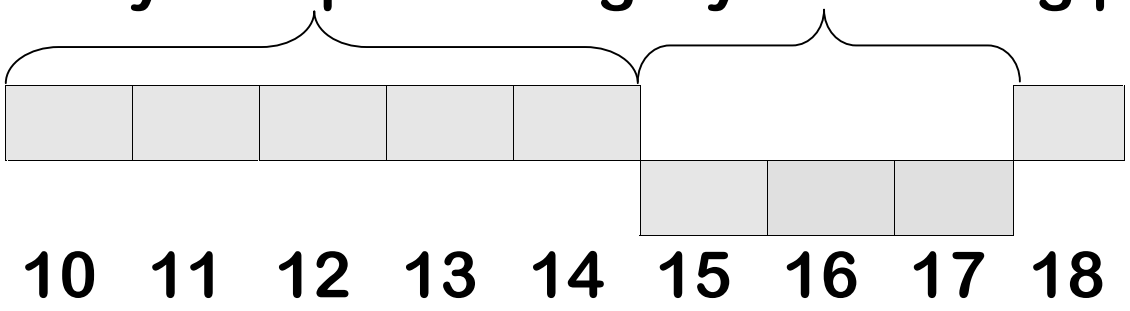
$$1.0 - \frac{\text{Base units for plan year following actual plan year of partial withdrawal}}{\text{Average base units during 5 yr. period preceding three year testing period}}$$

EXAMPLE - PARTIAL WITHDRAWAL LIABILITY

Calculation of employer partial withdrawal liability for 2017, due to a 70% decline:

Testing period is 2015-2017
2017 is actual year of partial withdrawal
Treat 2015 as the withdrawal year for calculating deductible and ER share
Use UVB at 12/31/2014
Fraction is $1.0 - \frac{\text{2018 units}}{\text{(2010 - 2014 average)}}$
Denominator period ends 12/31/2014

5 base years preceding 3 year testing period



ERISA 4219(c)
WITHDRAWAL LIABILITY PAYMENTS

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1) Annual payment amount is product of
   a) Highest contribution rate in 10 years <u>including</u> year of withdrawal
   b) Highest consecutive 3 year average of hours in 10 years <u>excluding</u> year of withdrawal

2) If 70% contribution decline, withdrawal is deemed to occur on last day of first year of three year testing period

PARTIAL WITHDRAWAL LIABILITY PAYMENT

Multiply payment above by the partial withdrawal liability fraction from page 16 (or page 20)

ERISA 4219(c)
WITHDRAWAL LIABILITY PAYMENTS

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3) 20 year payment cap:
   a) If withdrawal liability exceeds Annual pmt * $\ddot{a}_{\overline{20}|i\%}$, only pay for 20 years
   b) Calculate amortization period based on most recent valuation assumptions
   c) If mass withdrawal, cap does not apply

4) Quarterly payments
   a) Amount = annual payment amount / 4
   b) First payment at start of plan year following plan year of withdrawal

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4219

- **Withdrawal liability Payment Amount**