Data for Question 18 (1 point) 2000

The normal form of payment for a top-heavy defined benefit plan is an annuity payable for 60 months certain and life thereafter. The plan has always been top-heavy. The top-heavy minimum annual accrual for a participant with less than 10 years of service must be actuarially equivalent to 2% of average annual compensation payable as a single life annuity.

Consider the following statement:

> The actuarially equivalent conversion must be determined using a "standard interest rate" and "standard mortality table" (as defined under the regulations pertaining to general nondiscrimination testing).

Question 18

Is the above statement true or false?

(A) True

(B) False

Data for Question 21 (4 points) 2000

Plan effective date: 1/1/2000.

Type of plan: Cash balance plan.

Cash balance account:	10% of compensation credited at the end of the plan year accumulated at the applicable interest rate.
Actuarial equivalence:	Interest rate: Applicable interest rate. Pre-retirement mortality: None. Post-retirement mortality: Applicable mortality table.
Applicable interest rate:	6.25% per year.
Vesting service:	All service from date of hire.
Vesting schedule:	6-year graded schedule for top-heavy plans.

Data for non-key employee Smith:

Date of birth	01/01/1941
Date of hire	01/01/1997
Date of termination	12/31/2000
Compensation for each year	$50,000

Selected annuity factors (applicable interest rate and applicable mortality table):

x	$\ddot{a}_x^{(12)}$
60	11.648
65	10.443

The plan is top-heavy for the year 2000.

Question 21

In what range is the lump sum to which Smith would be entitled on 12/31/2000?

(A) Less than $3,200

(B) $3,200 but less than $3,800

(C) $3,800 but less than $4,400

(D) $4,400 but less than $5,000

(E) $5,000 or more

Data for Question 38 (4 points)

Plan year for profit sharing plan: January 1 to December 31

Plan year for defined benefit plan: July 1 to June 30.

Brown was a key employee in 2001. After 2001, Brown is no longer a key employee.

Information for all participants:

	Profit Sharing Account Balances		Defined Benefit Plan PVABs	
	12/31/2003	12/31/2004	7/1/2003	7/1/2004
Key employee Smith	$ 275,000	$ 350,000	$ 225,000	$ 300,000
Key employee Jones	350,000	425,000	230,000	275,000
Brown	100,000	125,000	100,000	125,000
All Others (non-key)	625,000	650,000	700,000	750,000

There have never been any distributions from the profit sharing plan or defined benefit plan.

Question 38

In what range is the top-heavy ratio that will determine if the defined benefit plan is top heavy for the plan year beginning 7/1/2004?

(A) Less than 44%

(B) 44% but less than 46%

(C) 46% but less than 48%

(D) 48% but less than 50%

(E) 50% or more

Data for Question 5 (1 point)

Participant:	Smith
2004 compensation:	$190,000
Ownership:	4% equity partner
Employer:	Unincorporated

Consider the following statement:

Smith is a key employee for 2005.

Question 5

Is the above statement true or false?

(A) True

(B) False

Data for Question 6 (1 point)

Plan A first becomes top heavy in 2005.

A year of vesting service is credited for each plan year a participant has 1,000 hours of service.

Consider the following statement:

During 2005, only participants with 1,000 or more hours of service are subject to the top heavy vesting schedule.

Question 6

Is the above statement true or false?

(A) True

(B) False

Data for Question 25 (4 points)

A company sponsors two plans. Both plans satisfy coverage and nondiscrimination on their own, without requiring aggregation.

Each employee of the company is employed at only one of its two locations.

Plan 1 is for employees of Location 1. The plan is effective 1/1/1998.
Annual accrued benefit: 1.25% of pay for the first 5 years of participation, 0.75% of pay thereafter.

Plan 2 is for employees of Location 2. The plan is effective 1/1/1997.
Annual accrued benefit: $400 for each year of participation.

Top-heavy ratio by plan year for employees of:

Plan Year	Location 1	Location 2	Total - both
1998, 1999, and 2000	64%	72%	67%
2001, 2002, and 2003	55%	65%	59%
2004	59%	66%	64%

Data for two employees, both active at 12/31/2004:

	Smith	Brown
Location	1	2
Date of hire	1/1/1997	1/1/2002
Key Employee	Never	Never
Compensation each year since hire:	$30,000	$25,000

If a plan is top-heavy, the company will make the smallest increases in benefits allowable to satisfy top-heavy requirements.

Question 25

In what range is the sum of Smith's and Brown's annual accrued benefits at 12/31/2004?

(A) Less than $3,530

(B) $3,530 but less than $3,730

(C) $3,730 but less than $3,930

(D) $3,930 but less than $4,130

(E) $4,130 or more

Data for Question 40 (3 points)

An employer sponsors Plan A, a defined benefit plan, and Plan B, a defined contribution plan.

These plans are top-heavy for the 2004 plan year.

Data for selected non-key employees:

	Smith	Jones	Brown
2004 Compensation	$30,000	$75,000	$60,000
Date of hire	1/1/2004	1/1/2004	1/1/2004
Employment classification	Salaried	Hourly	Supervisory
Plan participation	B	A	A and B

Consider the following statements regarding the top-heavy minimum contribution or benefit for 2004:

I. Smith must receive a contribution allocation of at least $1,500 to satisfy the top-heavy minimum.

II. Jones must receive an annual benefit accrual of at least $1,500 to satisfy the top-heavy minimum.

III. If Brown receives either a contribution allocation of at least $3,000 or an annual benefit accrual of at least $1,200, the top-heavy minimum will be satisfied.

Question 40

Which, if any, of the above statements is (are) true?

(A) I and II only

(B) I and III only

(C) II and III only

(D) I, II, and III

(E) The correct answer is not given by (A), (B), (C), or (D) above.

Data for Question 5 (1 point)

Consider the following statement:

The accrued benefit of a former key employee is excluded entirely from the determination of whether a plan is top-heavy.

Question 5

Is the above statement true or false?

(A) True

(B) False

Data for Question 25 (3 points)

Valuation date: 12/31/2013.

Normal retirement benefit formula: 1.25% of final 3-year average compensation for each year of service.

The plan provides the minimum allowable top-heavy benefit.

A key employee benefited in every year since 2000.

Data for non-key participant Smith:

Date of birth	1/1/1954
Date of hire	1/1/2000

Year	Compensation
2000	$40,000
2001	42,000
2002	45,000
2003	55,000
2004	49,000
2005	52,000
2006	55,000
2007	60,000
2008	59,000
2009	65,000
2010	75,000
2011	65,000
2012	75,000
2013	85,000

The plan was top-heavy for all years other than 2007, 2008 and 2009.

Question 25

In what range is Smith's annual accrued benefit as of 12/31/2013?

(A) Less than $13,500

(B) $13,500 but less than $14,500

(C) $14,500 but less than $15,500

(D) $15,500 but less than $16,500

(E) $16,500 or more

Data for Question 41 (3 points)

Plan year:

Profit sharing plan	10/1 - 9/30
Defined benefit plan	1/1 - 12/31

Defined benefit plan valuation date: 1/1.

Selected data for all participants:

		Profit sharing account balances		Defined benefit plan present value of accrued benefits	
	Key employee?	9/30/2013	9/30/2014	1/1/2013	1/1/2014
Smith	Always	$275,000	$350,000	$225,000	$300,000
Jones	Always	350,000	425,000	230,000	275,000
Brown	Only key until 2011	100,000	125,000	100,000	125,000
All others	Never	625,000	650,000	700,000	750,000

There have never been any distributions from the profit sharing plan or the defined benefit plan.

Question 41

In what range is the top-heavy ratio for the calendar year beginning 1/1/2014?

(A) Less than 45.5%

(B) 45.5% but less than 49.0%

(C) 49.0% but less than 52.5%

(D) 52.5% but less than 56.0%

(E) 56.0% or more

Data for Question 3 (1 point)

Consider the following statement:

For purposes of determining whether a plan is top-heavy, the determination date is the last day of the preceding plan year, or in the case of the first plan year the first day of the plan year.

Question 3

Is the above statement true or false?

(A) True

(B) False

Data for Question 17 (2 points)

Valuation date: 1/1/2015.

Normal retirement benefit: 1% of 3-year final average compensation for each year of service.

Data for participant Smith:

Date of birth	1/1/1950
Date of hire	1/1/1998
Key employee	Never
Annual compensation history for given year(s)	
1998 – 2010	$55,000
2011	60,000
2012	65,000
2013	70,000
2014	75,000

The plan was determined to be top-heavy for 2003 and all subsequent plan years.

Question 17

In what range is Smith's annual accrued benefit as of 1/1/2015?

(A) Less than $12,700

(B) $12,700 but less than $13,900

(C) $13,900 but less than $15,100

(D) $15,100 but less than $16,300

(E) $16,300 or more

Data for Question 42 (3 points)

An employer sponsors a defined benefit (DB) and a defined contribution (DC) plan.

Plan year for DB plan: 10/1 to 9/30.

Valuation date for DB plan: 10/1.

Plan year for DC plan: Calendar year.

Selected data:

	Key employees	Non-key employees
Present value of accrued benefits		
DB plan as of 10/1/2013	$200,000	$100,000
DB plan as of 10/1/2014	225,000	90,000
DB plan as of 10/1/2015	190,000	160,000
Account balances		
DC plan as of 12/31/2013	$80,000	$50,000
DC plan as of 12/31/2014	130,000	60,000
DC plan as of 12/31/2015	150,000	70,000

Question 42

In what range is the top-heavy ratio that will be used to determine whether the defined contribution plan is top-heavy for 2015?

(A) Less than 60%

(B) 60% but less than 65%

(C) 65% but less than 70%

(D) 70% but less than 75%

(E) 75% or more

Data for Question 43 (3 points)

Valuation date:	12/31/2014.
Normal retirement benefit:	1.5% of final 3-year average compensation times years of service.
Plan vesting schedule:	100% vested after five years of service.
Top-heavy vesting schedule:	Six year graded.

The plan was determined to be top-heavy for 2009-2013, but is not top-heavy in 2014.

The plan provides the smallest top-heavy benefit allowable.

Data for non-key participant Smith:

Date of hire 1/1/2009

Year	Compensation
2009	$80,000
2010	85,000
2011	95,000
2012	85,000
2013	95,000
2014	100,000

Question 43

In what range is Smith's largest possible annual vested accrued benefit as of 12/31/2014?

(A) Less than $8,500

(B) $8,500 but less than $9,000

(C) $9,000 but less than $9,500

(D) $9,500 but less than $10,000

(E) $10,000 or more

Data for Question 44 (1 point)

As of the 2014 valuation date, the benefits for key employees were valued at $615,000 and the total value of benefits for all participants was $1,005,000.

There has been never been a distribution from the plan.

Consider the following statement:

The plan is top-heavy for the 2015 plan year.

Question 44

Is the above statement true or false?

(A) True

(B) False

THIS PAGE WAS INTENTIONALLY LEFT BLANK