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

Data for Question 6 (5 points)

During 2013, Smith and Jones were participants in a defined benefit plan and a profit sharing plan that has employee deferrals and employer matching contributions.

Data for participants:

	Smith	Jones
Date of birth	1/1/1954	1/1/1984
Date of hire	1/1/1990	1/1/2009
Salary for 2013	$350,000	$65,000
Annual defined benefit accruals	10,000	2,500
Vesting in defined benefit plan	100%	0%
Salary deferrals	$15,000	$2,000
Employer matching contributions	5,000	1,000
Vesting in matching contributions	100%	80%
Profit sharing contributions	$4,000	$0
Vesting in profit sharing	100%	80%

Nondiscrimination testing methods and assumptions:

Testing basis	Equivalent allocation
Snapshot date	12/31/2013
Standard interest rate	7.5%

Selected annuity factor using testing assumptions: $\ddot{a}_{65}^{(12)} = 9.88$.

$\boldsymbol{X}$ = Smith's benefit percentage for the average benefits test.

$\boldsymbol{Y}$ = Jones's benefit percentage for the average benefits test.

Question 6

In what range is $\boldsymbol{X} + \boldsymbol{Y}$?

(A) Less than 34%

(B) 34% but less than 38%

(C) 38% but less than 42%

(D) 42% but less than 46%

(E) 46% or more

Data for Question 21 (4 points)

Selected data for participants Smith and Jones:

	HCE/ NHCE	2013 compensation	Date of birth	Annual accrual in 2013	2013 covered compensation
Smith	HCE	$250,000	8/1/1960	$1,804	$95,160
Jones	NHCE	40,000	3/1/1985	***X***	110,100

The plan is tested on a benefits basis and permitted disparity is imputed.

The plan has no provisions for payments of benefit prior to normal retirement date.

The most valuable accrual rate is equal to the normal accrual rate at the testing age of 65.

X = the minimum benefit accrued by Jones in 2013 so that Jones is in Smith's rate group.

Question 21

In what range is ***X***?

(A) Less than $108

(B) $108 but less than $132

(C) $132 but less than $156

(D) $156 but less than $180

(E) $180 or more

Data for Question 27 (5 points)

Selected plan information:

Plan qualified joint and survivor	Qualified joint and 50% survivor
Early retirement eligibility	Age 60 and 10 years of service
Early retirement reduction	6% for each year prior to age 65

Testing assumptions and method:

Testing method	Benefits basis
Measurement period	Current plan year
Testing age	65
Standard interest rate	8.5%

Data for participant Smith:

Age at testing date	55
Service at testing date	15 years
Annual compensation for 2014	$30,000
Increase in annual accrued benefit during 2014	$600
QJSA conversion factor	0.90

Selected annuity factors using testing assumptions:

Age	Life annuity	QJSA 50%
60	9.72	10.35
61	9.57	10.23
62	9.41	10.09
63	9.25	9.95
64	9.07	9.81
65	8.89	9.65

Question 27

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

(A) Less than 1.95%

(B) 1.95% but less than 2.05%

(C) 2.05% but less than 2.15%

(D) 2.15% but less than 2.25%

(E) 2.25% or more

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

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:

Group	Count	HCE/NHCE	2015 compensation	Covered compensation	2015 accrual	Unadjusted accrual rate
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

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:

	Early	Life annuity		QJSA	
Age	retirement factor	Plan basis	Testing basis	Plan basis	Testing basis
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

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