Data for Question 33 (4 points)

Data for sponsor of two defined benefit pension plans:

	PLAN A		PLAN B	
	HCE	NHCE	HCE	NHCE
Total employees	50	8,350	250	2,650
Employees excludable due to minimum age and service provisions	5	1,050	20	350
Total employees benefiting under the plan	40	5,500	200	1,750
Collectively bargained employees benefiting under the plan	0	5,000	0	0
Normal accrual rate determined for each plan participant	1.6%	2.0%	1.5%	1.8%

No employee benefits under more than one plan.

The age and service eligibility provisions are identical for both plans.

The plan sponsor elects not to aggregate the plans and not to impute permitted disparity for testing under IRC sections 410(b) and 401(a)(4).

Consider the following statements regarding minimum coverage testing under IRC section 410(b) for Plan B:

I. The ratio percentage exceeds 50%.

II. The nonhighly compensated employee concentration percentage exceeds 95%.

III. The average benefit percentage test result is between 65% and 70%.

Question 33

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

(A) None

(B) I and II only

(C) I and III only

(D) II and III only

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

Data for Question 1 (1 point)

Consider the following statement:

> When performing an average benefit percentage test for an employer sponsoring multiple plans with differing plan years, employee benefit percentages under each plan are to be determined on the basis of plan years beginning in the same calendar year.

Question 1

Is the above statement true or false?

(A) True

(B) False

Data for Question 7 (1 point)

Employer A is owned equally by Smith and Jones. Smith and Jones are the only employees of Employer A.

Consider the following statement:

> Employer A can adopt a qualified defined benefit plan that covers only highly compensated employee Smith.

Question 7

Is the above statement true or false?

(A) True

(B) False

Data for Question 9 (1 point)

Consider the following statement:

> Two defined benefit plans, maintained by the same employer, may not be permissively aggregated to demonstrate compliance with nondiscriminatory coverage requirements under IRC section 410(b) if they have different plan years.

Question 9

Is the above statement true or false?

(A) True

(B) False

Data for Question 23 (4 points)

Plan effective date: 1/1/1985.

Normal retirement benefit: $200 per year of service with a maximum of 10 years.

Service credits: One year of service for each year a participant completes 1000 hours.

Data for all employees for 2000 plan year:

	Date of Hire	Date of Termination	Hours Worked
HCE 1	1/1/1985		2000
HCE 2	1/1/1990		2000
HCE 3	1/1/1995		2000
NHCE 1	1/1/1990		2000
NHCE 2	1/1/1990		2000
NHCE 3	1/1/1990		2000
NHCE 4	1/1/1990	3/1/2000	400
NHCE 5	1/1/1990	8/1/2000	1100
NHCE 6	1/1/1995	5/1/2000	600
NHCE 7	1/1/1995		2000
NHCE 8	1/1/1995		400
NHCE 9	1/1/1999		800
NHCE 10	8/1/2000	11/1/2000	400

The plan is not permissively aggregated or disaggregated for the purpose of testing coverage.

Question 23

In what range is the ratio percentage for the coverage testing under IRC section 410(b) for the 2000 plan year?

(A) Less than 60%

(B) 60% but less than 70%

(C) 70% but less than 80%

(D) 80% but less than 90%

(E) 90% or more

Data for Question 3 (3 points)

A company sponsors two plans:

Salaried plan eligibility requirements	21 years of age 6 months of service
Hourly plan eligibility requirements	18 years of age 1 year of service

The salaried and hourly plans are aggregated for purposes of IRC section 410(b) coverage testing.

Information for NHCEs in 2013:

Age	Service	Salaried	Hourly
Under 18	Under 6 months	3	5
Under 18	At least 6 months, under 1 year	1	3
Under 18	At least 1 year	0	1
18 and over, under 21	Under 6 months	2	15
18 and over, under 21	At least 6 months, under 1 year	1	10
18 and over, under 21	At least 1 year	0	10
21 and over	Under 6 months	5	25
21 and over	At least 6 months, under 1 year	10	35
21 and over	At least 1 year	20	20

X = the number of non-excludable NHCEs for purposes of 2013 IRC section 410(b) coverage testing.

Question 3

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

(A) Less than 60

(B) 60 but less than 75

(C) 75 but less than 90

(D) 90 but less than 105

(E) 105 or more

Data for Question 16 (4 points)

A company sponsors an hourly plan and a salaried plan.

Hourly plan participation requirements: 21 years of age and 1 year of service.

Salaried plan participation requirements: 18 years of age and 1 year of service.

The plans are aggregated for purposes of 410(b) coverage testing. The company does not separately test otherwise excludable employees.

Employees from hourly plan:	NHCEs		HCEs	
	Count	Average benefit percentage	Count	Average benefit percentage
Under 1 year of service	40	0.0%	0	0.0%
1+ year of service and ages 18 to 20	35	0.0%	0	0.0%
1+ year of service and ages 21 to 39	20	2.5%	10	2.0%
1+ year of service and ages 40+	10	2.0%	15	1.8%

Employees from salaried plan:	NHCEs		HCEs	
	Count	Average benefit percentage	Count	Average benefit percentage
Under 1 year of service	30	0.0%	0	0.0%
1+ year of service and ages 18 to 20	15	1.8%	0	0.0%
1+ year of service and ages 21 to 39	20	2.0%	5	2.2%
1+ year of service and ages 40+	10	1.8%	20	1.8%

X = the average benefits percentage for purposes of IRC section 410(b) coverage testing.

Question 16

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

(A) Less than 56%

(B) 56% but less than 71%

(C) 71% but less than 86%

(D) 86% but less than 101%

(E) 101% or more

Data for Question 4 (3 points)

A company maintains Plan A for its employees in Location A, Plan B for its employees in Location B, Plan C for its employees in Location C, and Plan D for its employees in Location D. All four plans provide meaningful benefit accruals to all participants.

Location C is treated as being in a qualified separate line of business for purposes of IRC section 401(a)(26) testing.

Consider the following data for all non-excludable employees of the company during 2014:

	Total		Benefiting	
	HCE	NHCE	HCE	NHCE
Plan A	5	110	5	60
Plan B	10	60	10	35
Plan C	5	100	5	35
Plan D	50	90	0	40

Question 4

How many plans satisfy the participation requirements of IRC section 401(a)(26)?

(A) 0

(B) 1

(C) 2

(D) 3

(E) 4

Data for Question 11 (2 points)

An employer sponsors three plans: Plan A covers employees in Division A, Plan B covers employees in Division B, and Plan C covers employees in Division C.

Selected data:

Plan	Eligibility
A	Immediate
B	Age 18 and 1 year of service
C	Age 21 and 6 months of service

	Division A	Division B	Division C
Eligible employees	60	35	50
Employees not yet eligible	0	3	7

The plan sponsor aggregates Plans A, B, and C for purposes of the coverage requirements under IRC section 410(b).

Question 11

In what range is the number of non-excludable employees?

(A) Fewer than 145

(B) 145 but fewer than 148

(C) 148 but fewer than 151

(D) 151 but fewer than 154

(E) 154 or greater

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