

**ERRATA TO
SOLUTIONS TO
MAY 2008 EA-2B EXAMINATION**

3. See IRC Section 417(g)(2)

ANSWER B (False)

21. Actual benefit percentage

$$\text{HCE1: } [(35,000+5000) \times (1.085)^{10} \div 9.03 + 1000 \times 12] \div 100,000 = 22.02\%$$

$$\text{HCE2: } [(35,000+5000) \times (1.085)^0 \div 9.03 + 1000 \times 12] \div 100,000 = 16.43\%$$

$$\begin{aligned} \text{NHCE1: } [(X+1000) \times (1.085)^{40} \div 9.03 + 50 \times 12] \div 50,000 \\ = \frac{22.02\% + 16.43\%}{2} \times 70\% = 13.46\% \end{aligned}$$

$$X = \underline{\underline{\$1118}}$$

ANSWER B

32. PBGC Reg 4006.3: Premium rate

Cap on variable rate prem = $\$5(\# \text{ of ees})^2$ [4006.3(b)(2)]

$$\text{Flat rate} = \$33 \times 20 = \$660$$

$$\text{Variable rate} = \$9 \times 400$$

(lesser of)

$$\text{or } \$5 \times (20)^2 = \underline{\underline{\$2660}}$$

ANSWER B

36. Maximum monthly benefit guaranteed by PBGC at age 65 on life annuity: \$4312.50

Smith

		<u>Δ</u>	<u>Phase-in</u>	<u>Guaranteed</u>
2000	$\$100 \times 6 = 600$	600	–	\$ 600
2006	$110 \times 6 = 660$	60	60%*	60*
2007	$150 \times 6 = 900$	240	20%	48
				<u>\$ 708</u>

Mr. Jones (substantial owner)

		<u>Δ</u>	<u>Phase-in</u>	<u>Guaranteed</u>
2000	$\$100 \times 9 = 900$	900	–	<u>\\$ 900</u>
2006	$110 \times 9 = 990$	90	60%*	<u>60*</u>
2007	$150 \times 9 = 1350$	360	20%	<u>72</u>
				$\$1032 \times \frac{9}{10} = \929

Mrs. Jones

		<u>Δ</u>	<u>Phase-in</u>	<u>Guaranteed</u>
2000	$\$100 \times 5 = 500$	500	–	<u>\\$ 500</u>
2006	$110 \times 5 = 550$	50	60%*	<u>50*</u>
2007	$150 \times 5 = 750$	200	20%	<u>40</u>
				$\$ 590 \times \frac{9}{10} = \531

* min \$20 per year phase-in

Total guaranteed monthly benefits: \$ 708
 929
 531
\$2168

ANSWER A

41. I True See Instructions for Form 5330
 II False See Instructions for Form 5330
 III True IRC Section 4975(d)(23)

I and II are True

ANSWER C