

## **2009 EA-2B Examination Study Tips**

The following represents my recommendation for self-studying for this examination. This is certainly not the only approach, and it is intended to serve as a guide for anyone attempting this examination for the first time. It can also be used in preparation for anyone planning to take a review course for this examination.

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Here's how I'd start.

1. Course Outline – In my opinion, it's nearly impossible to learn the syllabus for this exam by reading the regulations. Many of the regulations are outdated, and many of them (especially the non-discrimination regulations) contain so many cross references that it can take months to master them. A course outline can be helpful in guiding you through this. See the section below for my suggestions as far as study materials go.
2. Calculation of benefits – Read IRC sections 411 and 417. These sections each have regulations. Much of the true/false material can come from these regulations, although they can be time consuming to read. The ERISA Outline Book, described below, may be a better option than reading the regulations.
3. Non-discrimination – This is the toughest topic to study since there is no real text for this topic. The regulations for IRC sections 401(a)(26), 410(b), 401(a)(4), and 401(l) tend to be long and tough to read due to their numerous cross references. One of the course outlines listed below will help. The ERISA Outline Book, described below, can be helpful with these topics. Note that the exam generally has a lot of detailed questions about this topic.
4. Multiemployer plans – In addition to the material in any of the course outlines, there is an old SOA study note (not currently in print) that is a good resource, if you know someone who has it. The only other reading listed in the syllabus for this topic is a Multiemployer Retirement Plans Handbook. The ERISA sections (4201 – 4225) and especially the regulations are difficult to understand if you don't have experience working with multiemployer plans (actually, they are hard to understand even with experience). So it is likely a good idea to look at either the SOA study note or the current Handbook, although it is possible to get by just using the outlines described below, keeping in mind that they will not be as complete.
- 5.

- PBGC rules – In addition to the material in any of the course outlines, the SOA study note is a good resource. Pay particular attention to ERISA sections 4022 and 4044. Review the instructions to the 2008 PBGC Form 1, Schedule A (this is more readable than the PBGC regulations). There are new premium rules effective for years beginning in 2008 and later. Pay particular attention to the determination of guaranteed benefits for majority owners. These are new rules under the Pension Protection Act of 2006 that replace the old rules for substantial owners, and this is only the third year that they are being tested.
6. Limitations on underfunded single employer plans – This is IRC section 436, which was added to the syllabus in 2008 but not tested. There are proposed regulations regarding this section, and they cannot be tested. It may be a good idea to read them, in any case, especially the examples, in order to better understand the Internal Revenue Code sections. It is likely that some of this material will be tested in 2009.

The additional reading from the course syllabus is not as important as what has been outlined thus far, but is advisable to review. This exam generally contains many factual questions on topics such as fiduciaries, actuarial standards, and prohibited transactions.

It is important to check the Society of Actuaries web site for the updated version of the Joint Board Program Document. Based upon past history, the updated syllabus included in that document (effective as of January 1, 2009) should be available in early February. Any new syllabus items should be noted and studied.

There are many available outlines and problem sets available. These provide a good source of additional practice and material. Here is a summary of the materials and where they may be found.

1. Rick Groszkiewicz has his overheads used in his classes, original problems from those classes, and old exam solutions for sale on his web site ([www.softwarepolish.com](http://www.softwarepolish.com)). Some of the older material is available as free downloads. I recommend Rick's materials. The overheads can be used as a course outline.
2. ACTEX has various publications for sale ([www.actexamdriver.com](http://www.actexamdriver.com)). There is an EA-2B ACTEX manual. I have not reviewed the current manual so I have no recommendation for or against it. Previous student comments have not been positive with regard to this manual.

3. Also available through ACTEX, the Actuarial Bookstore, and Slide Rule Books are the various manuals published by ASM (Actuarial Study Materials), all of which were either written or edited by me. Links to each of those web sites can be found at the ASM web site ([www.studymanuals.com](http://www.studymanuals.com)). There is a manual that consists of the course outline (including a summary of each revenue ruling listed in the syllabus) as well as questions and solutions that are used in my courses. This manual should **NOT** be purchased by anyone planning to attend one of my courses since it will duplicate course material that you will receive. Solutions to prior exams are also available (again, do not purchase these if you are taking one of my courses as they will be provided to you as part of the course). To view samples from any of these manuals, go to the ASM web site.
4. The SOA study notes can be used to provide an overview (and in some cases, detail) of many of the topics. They should not be used as a substitute for reading the internal revenue code, ERISA and regulations. The SOA web site is [www.soa.org](http://www.soa.org).
5. ASPPA (American Society of Pension Professionals and Actuaries) offers the ERISA Outline Book. This provides interpretation of much of ERISA. Although it is designed for pension administrators (not necessarily actuaries), it is an excellent resource for studying the nondiscrimination rules, IRC section 411, fiduciary issues, and the prohibited transaction rules, as well as many of the factual topics covered in the exam syllabus. It's huge (5 volumes) and isn't cheap (approximately \$500). But it is definitely a helpful resource, including for real life work. The ASPPA web site is [www.asppa.org](http://www.asppa.org). I've outlined the appropriate sections of the book that apply to the EA-2B course syllabus below. A less expensive (approximately \$275) resource is the Defined Benefit Answer Book, available from Aspen Publishers ([www.aspenpublishers.com](http://www.aspenpublishers.com)).

It's important to do as many practice problems as possible in studying for the exam. Therefore, I'd suggest getting as many of the above recommended materials as possible.

Note that the 2004 through 2006 examinations consisted of approximately 75% calculation-type questions, and approximately 25% factual-type questions. The 2007 and 2008 exams consisted of approximately 80% calculation-type questions, and approximately 20% factual-type questions. Generally, approximately 55% to 65% of the available points are required to pass the examination. Study time is better spent studying the calculation material rather than the factual material. However, the percentage of factual material tested in recent exam sittings has increased dramatically from those prior to 2004.

**EA-2B**  
**Suggested reading from**  
**2008 Edition of ERISA Outline Book**

Note that this is intended to help determine which sections of the ERISA Outline Book are applicable to the EA-2B examination. I have attempted to be as specific as possible so that readers with a different edition may still find this helpful. I've included page numbers applicable to the 2008 edition. Note that I have made my best effort to include all sections that cover EA-2B syllabus information and exclude all extraneous material. One note when reading this text – the author often uses his own terminology rather than the exact terminology from the IRC or the IRS regulations. It is important to know the correct IRS terminology. Cross-references to the Internal Revenue Cod or IRS regulations should be reviewed for a better understanding.

**Chapter 1** – Definitions

Compensation – pay particular attention to Part B (414(s) compensation). Most of the rest of this section is not pertinent for the exam. (Pages 1.102 – 1.112)

Controlled Group of Businesses – Part A (Types of controlled group relationships) is the important part. (Pages 1.119 – 1.126)

Disqualified Person (Pages 1.148 – 1.151)

Highly Compensated Employee – Part A (Basic definition of HCE) is the important part. (Pages 1.258 – 1.274)

Party-in-Interest (Pages 1.637 – 1.640)

**Chapter 3A** – Accruing Benefits - Part 1

Section III – Defined benefit plans

Part B – Accrual formula, sections 1 – 8 (Pages 3A.180 – 3A.203)

## **Chapter 3B** – Accruing Benefits - Part 2

Section II – Dollar limit on compensation taken into account under the plan

Part C – Application of limit to defined benefit plans (Pages 3B.9 – 3B.13)

Section X – Anti-cutback rule

Part A – Amendment may not reduce accrued benefits (Page 3B.261)

Part C – When do benefits accrue in a defined benefit plan? (Pages 3B.271 – 3B.275)

Part D – Pension plans must notify employees of amendment (Pages 3B.276 – 3B.304)

## **Chapter 4** – Vesting Rules

Section III – When must an employee vest in accrued benefits?

Part A – Vesting schedules, sections 1a, 1b, 4 (Pages 4.4, 4.13 – 4.14)

Part C – Two-year eligibility plans must provide for 100% vesting (Page 4.22)

Part F – Amending the vesting schedule, sections 1, 2a – 2g (Pages 4.26 – 4.34)

Section IV – How does the plan measure a year of service?

Parts A – E (Pages 4.43 – 4.60)

Section V – Rehired employees/breaks in service

Parts A – C (Pages 4.72 – 4.84)

Section XII – What happens when the plan terminates or there is a partial termination?

Part A, section 2 (Page 4.110)

Part B (Page 4.113)

## **Chapter 6** – Plan Distributions

Section III – In what form will distribution be made?

Part B – Qualified joint and survivor annuity (Pages 6.9 – 6.10)

Part C – Actuarial equivalence in a defined benefit plan, sections 3a – 3c (Pages 6.25 – 6.34) – note that lump sum rule changes for 2008 are not reflected in the pre-2007 editions of the ERISA Outline Book.

Section V – Death benefits

Part B – Pre-retirement death benefits, sections 1b – 1h (Pages 6.325 – 6.332)

## **Chapter 8** – Coverage Testing

Section III – Minimum coverage tests (Pages 8.2 – 8.30)

Section IV – Performing the ratio test (Pages 8.31 – 8.45)

Section V – Performing the average benefits test (Pages 8.46 – 8.63)

Section VII – Permissive aggregation of plans (Pages 8.79 – 8.90)

Section X – Minimum participation test (Pages 8.137 – 8.148)

## **Chapter 9** – Nondiscrimination Testing

Section VI – Safe harbor defined benefit plans (Pages 9.92 – 9.104)

Section VII – Rate group testing for defined benefit plans (Pages 9.105 – 9.113)

Section VIII – Other defined benefit plan testing issues (Pages 9.114 – 9.119)

Section IX – Aggregation, disaggregation, and restructuring

Parts A – B (Pages 9.120 – 9.136)

Section X – Availability of benefits, rights and features (Pages 9.142 – 9.162)

Section XI – Miscellaneous nondiscrimination testing issues

Parts A – D (Pages 9.163 – 9.170)

## **Chapter 10** – Permitted Disparity

Section III – Safe harbor formulas for defined contribution plans

Part C – Determine the maximum disparity allowance (Pages 10.9 – 10.11)

Section IV – Imputing permitted disparity under a defined contribution plan (Pages 10.25 – 10.31)

Section VI – Safe harbor formulas for defined benefit plans (Pages 10.33 – 10.50)

Section VII – Imputing permitted disparity under a defined benefit plan (Pages 10.51 – 10.52)

Section VIII – Overall use of permitted disparity and special rules (Pages 10.53 – 10.56)

## **Chapter 13A** – Title I of ERISA - Part 1

Section III – Requirements for reporting to the government agencies

Part C – Title IV requirements (PBGC) (Pages 13A.109 – 13A.185)

Section IV – Required disclosures to participants and beneficiaries

Part A – Summary plan description (Pages 13A.186 – 13A.202)

Part B – Summary of material modifications (Pages 13A.203 – 13A.205)

Part C – Summary annual report (Pages 13A.206 – 13A.207)

Part J – Disclosure requirements under Title IV (Pages 13A.263 – 13A.284)

## **Chapter 13B** – Title I of ERISA - Part 2

Section II – Fiduciary standards

Part A – Who is a fiduciary? (Pages 13B.4 – 13B.58)

Part D – Fiduciary liability (Pages 13B.179 – 13B.198)

## **Chapter 14** – Prohibited Transactions

Section V – Calculation of excise tax

Parts A – C (Pages 14.187 – 14.201)

Section VI – Title I issues relating to prohibited transactions (Pages 14.212 – 14.216)