

## **2007 EA-2A 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. Actuarial cost methods – In my opinion, there are only two texts listed in the Joint Board syllabus that are worth using for this topic. These are the Aitken text, and the Farrimond/Mayer text. Each text provides at least a brief description of the funding methods as well as many examples. The Farrimond/Mayer text provides solutions to all old EA-2B exams (from 1984 – 2000). Note that the text itself contains solutions to the 1984 – 1997 exams. There are 3 supplements (the 1999, 2000, and 2001 supplements) that contain the problems and solutions to the 1998, 1999, and 2000 exams, respectively. Do NOT purchase the 1998 supplement since it contains solutions to the 1997 exam, which are included in the text itself. All problems contained in the Aitken and the Farrimond/Mayer texts are still valid questions. I would also read Section 3 of Revenue Procedure 2000-40. This procedure concerns automatic approvals for a change in funding method, and section 3 describes in detail how the approved methods work. This will cover most of the methods tested on the exam, and is the only IRS-published descriptions of the methods. Note that it is not clear to what extent the Joint Board will continue to test the cost methods beginning in 2007.
2. Minimum funding issues – There is no real text for this topic. My suggestion is to first read IRC sections 412, 430, 431, 432 and 436. Note that the Joint Board has announced that it will test the new funding rules under the Pension Protection Act of 2006 (PPA), although they do not take effect until 2008, on the 2007 EA-2A exam. Be certain to read the version of IRC section 412 that is effective on 1/1/2008. It is also possible that the pre-2008 funding rules will be tested as well, and this will hopefully be made clear when the Joint Board issues its final syllabus effective July 1, 2007 (probably available in early August). Important Revenue Rulings to read are 77-2, 81-13, 81-213 (pay special attention to sections 8 and 10, and be aware that any references to 15-year amortizations for gains and losses are 5-year amortizations in 2007 and 10-year amortizations in 2008 for multiemployer plans), 95-31, 96-20, and 2000-20. An important Revenue Notice is 89-52 (ignore Q&A 18 and 19). An important Revenue Procedure is 2000-40. Note that these Rulings may become somewhat obsolete under PPA, but that is as yet unclear.

3. Deductible limits – There is no real text for this topic. My suggestion is to first read IRC sections 404 and 4972. Regulation 1.404(a)-14 is vital to read! Good Revenue Rulings to review are 82-125 and 84-62. Be certain to read the new section 404(o) that becomes effective under PPA for 2008, and will likely be tested on the 2007 exam.
4. Maximum and top heavy benefits – Read IRC sections 415 and 416. These sections each have regulations. Note that the regulation for IRC section 415 is new, issued in April, 2007 and replaces the original ERISA regulation. You should also look at Revenue Rulings 98-1 and 2001-51. Note that much of 98-1 is outdated. Read 2001-51, and use 98-1 as a cross reference, as some of the Q&A's in 2001-51 reference 98-1. I would ignore Revenue Notices 83-10 and 87-21, as they describe the TEFRA and TRA'86 rules for IRC section 415, and are outdated. Read the regulation for IRC section 416, but keep in mind that many of the rules have changed effective in 2002, so some of the Q&A's are outdated. Basically, if the Q&A violates the code section, then it is outdated.
5. Spin-offs and mergers – Revenue rulings 81-212 and 86-47 are the primary regulations for spin-offs. They are easy to read, and use examples to make their points. Regulation 1.414(l) primarily describes rules for mergers. The majority of past exam questions have involved spin-offs, rather than mergers. Note that none of the regulations and revenue rulings have been updated for changes to the spinoff rules due to PPA, so it is not clear how the new rules may affect spinoffs beginning in 2008.
6. Miscellaneous topics – Look at regulation 1.412(c)(1)-2 for a description and examples of the shortfall funding method. IRC section 401(a)(17) describes the rules for the compensation limits.

That's the extent of the reading that I would do prior to taking a review class. For anyone not taking a review class, the additional reading from the course syllabus is not as important as what has been outlined thus far, but is advisable to review.

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 July 1, 2007) will be available in early August. 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. Note that for the 2007 exam, I would not recommend using study materials from a prior year since there has been such a dramatic change to the syllabus this year.

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.

2. ACTEX has various publications for sale ([www.actexamdriver.com](http://www.actexamdriver.com)). There is an ACTEX manual (this was new in 2003, and I do not know whether it has been updated to reflect the PPA changes). ACTEX also offers a study manual listed as the Central Study Manual. This is basically the old ACTEX manual, and unless it has been drastically updated, it contains numerous errors. I would avoid this manual, and it is unlikely to be updated for PPA.
3. Also available through ACTEX or the Actuarial Bookstore are the various manuals published by ASM (Actuarial Study Materials), all of which were written by me. There is a manual consisting of a course outline (including a summary of each revenue ruling listed in the syllabus) as well as nearly 120 original questions and solutions that are used in my courses. This manual should not be purchased by anyone planning to attend one of my courses, as the outline and questions will be distributed as part of the course. Solutions to prior exams are also available (again, do not purchase these if you are taking one of my courses as you will receive this as part of the course materials). It is not clear at this point how helpful prior examinations will be in preparation for this year's exam due to the changes in the syllabus. 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 of many of the topics. They should not be used as a substitute for reading the internal revenue code and regulations. It is not clear as yet whether these materials have been updated to reflect the changes under PPA.

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 Rick Groszkiewicz also offers a web-based course. You can find information about this course on his web site listed above.

**Please note:** The statements presented above are solely the opinion of the instructor and do not represent the opinion or the position of ASPPA. ASPPA assumes no responsibility for the content of the statements and materials presented by the instructor.