

**Corrections and Additions to EA-2L Course Outline and Problems  
Spring, 2018  
(as of 3/30/2018)**

Page 366: In the second paragraph, the reference to 20% should be changed to 15% (this became effective in 2015). In addition, the following 2 bullet items (which were also effective beginning in 2015) should be added to the substantial cessation of operations section:

- A small plan with fewer than 100 participants as of the valuation date for the year is exempt from ERISA section 4062(e).
- If the ratio of the market value of assets to the funding target used to determine the PBGC premium is at least 90%, then the plan is exempt from ERISA section 4062(e).

Page 472: Question 184 needed to be updated to follow the new rules effective in 2016 with regard to the waiver of filing for the reportable event due to a reduction in active participants, when there are fewer than 100 participants as of the beginning of the year. Prior to 2016, the waiver was in effect if the number of plan participants was fewer than 100 as of the first day of the either the current or prior year. The new rule is that the waiver is in effect if the number of participants used for the prior year flat premium count was less than or equal to 100. The question and solution have been revised as follows:

## Question 184

Active participant information for defined benefit Plan A:

Total participants as of 12/31/2016 and 1/1/2017: 200  
Total participants as of 12/31/2017 and 1/1/2018: 190  
Smallest number of participants on any day in 2018: 151

Active participant information for defined benefit Plan B:

Total participants as of 12/31/2016 and 1/1/2017: 95  
Total participants as of 12/31/2017 and 1/1/2018: 110  
Smallest number of participants on any day in 2018: 75

Both plans A and B have had PBGC variable rate premiums due every year.

Which, if any, of plans A and B have a reportable event requiring a notification to the PBGC?

## Solution to question 184

A reportable event occurs if either the number of active participants of a plan falls below 75% of the number of active participants as of the first day of the prior year, or 80% of the number of active participants as of the first day of the current year. The notice requirement is waived if the number of participants used for the PBGC flat rate premium for the prior year is less than 100.

For Plan A, 75% of the active participants as of 1/1/2017 is 150, and 80% of the active participants as of 1/1/2018 is 152. A notice is due for Plan A since the participant count during 2018 fell below 152.

For Plan B, there is no notice requirement for 2018 since the number of participants as of the first day of 2017 is less than 100 (one of the requirements for a waiver to be available).

Page 513: PBGC Technical Update 17-1 has been added to the reading list. This technical update describes a new interpretation with regard to the reportable event dealing with the reduction of active participants under ERISA regulation 4043.23, which is discussed on page 468. There are two types of reductions in active participants – a single event reduction, in which the number of active participants is reduced due to a one-time event, or an attrition event reduction, in which the number of active participants is reduced over the course of the year due to several events. If there is a single event reduction during the plan year, requiring the reporting of a single event reduction, and later in the year the number of active participants is further reduced, the number of participants who left due to the single event already reported are included in the participant count at the date later in the year.

Example: There are 1,000 active participants as of 1/1/2018. On 5/1/2018, 300 of these active participants are terminated due to a company-wide reorganization. A single event reduction of more than 20% has occurred, and this results in a reportable event. On 12/31/2018, there are 600 active participants. In order to determine whether an attrition event has occurred, the number of active participants as of 12/31/2018 must be compared to the 1,000 active participants as of the first day of the year. However, since 300 participants were already terminated as a result of the single event reduction, which resulted in a reportable event on 5/1/2018, those 300 participants are added back to the year-end count, so that 900 (600 + 300) participants are compared to the 1,000 at the beginning of the year. This is 90%, so there is no further reportable event (that is, no attrition event).