

2018 EA-2F 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.

David Farber, ASA

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 (A Problem Solving Approach to Pension Funding and Valuation), and the Farrimond/Mayer text (Actuarial Cost Methods, A Review). The more useful of the two is the Farrimond/Mayer text (note that I contributed my old exam solutions to this 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-1B exams (the old cost method exams from 1984 – 2000). Note that the text itself contains solutions to the 1984 – 1997 exams. (This text is currently out of print, but is available for free download at www.asppa.org. Search for “actuarial cost methods” to find the link to the pdf file.) Nearly all problems contained in the Aitken and the Farrimond/Mayer texts are still valid questions, although most only apply to multiemployer plans. 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 cost methods are tested to a lesser extent than prior to the 2007 exam, since they only apply to multiemployer plans beginning with the 2008 plan year (although the cost methods could be used to determine a recommended contribution to single employer plans as well). Based upon the 2007 through 2017 exams, the unit credit method is the cost method that is most likely to be tested, so it is important to know that method, at the very least. However, it is likely that there will be 2 to 4 questions that test other methods (there have been more than that number on a couple of exams). Entry age normal, frozen initial liability, and aggregate are the most likely of the other methods to be tested. The attained age normal has been tested only once, and the individual aggregate and individual level premium methods have not yet been tested since prior to the 2007 exam.

2. Minimum funding issues – There is no real text for this topic. My suggestion is to first read IRC sections 412, 430, 431, and 432. Important Revenue Rulings to read are 81-13, 81-213 (pay special attention to sections 8 and 10), and 2000-20, all of which now apply only to multiemployer plans. An important Revenue Procedure relating to changes in cost methods that also only applies to multiemployer plans is 2000-40. There are a series of proposed and final regulations regarding IRC section 430 for single employer plans, and although proposed regulations are not generally tested, the Joint Board has announced that until final regulations are issued, these proposed regulations can be tested. Note that the examples contained in these proposed and final regulations are quite helpful, so at the very least, I suggest reviewing all of the examples. There is also a revenue procedure (2017-56) dealing with changes in cost methods for single employer plans that is important.
3. Deductible limits – There is no real text for this topic. My suggestion is to first read IRC sections 404 and 4972. Good Revenue Rulings to review are 82-125 and 84-62 (applicable to multiemployer plans). Be certain to read IRC section 404(o) that applies to single employer plans under PPA. There are currently no PPA regulations (proposed or otherwise) with regard to deductions under IRC section 404(o).
4. Limitations on underfunded single employer plans – This is IRC section 436. There are final regulations regarding this section. It is a good idea to read them (or the summary that appears before them) if you do not have an outline or other study material, in order to better understand the Internal Revenue Code sections.
5. Maximum and top heavy benefits – These topics are not directly tested on the EA-2F exam. However, knowledge of these sections is assumed as they are part of the EA-2L syllabus, which is a pre-requisite for this exam. Basic knowledge of the IRC section 415 defined benefit limit and the top heavy minimum benefit for defined benefit plans should be understood, although the details should not be tested on this exam.
6. 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 the regulations and revenue rulings have not 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 for single employer plans. The rulings are still applicable to multiemployer plans. Note that spin-offs and mergers have generally not been tested since 2007.
7. Selection of actuarial assumptions – There is an SOA study note dealing with this topic that can be downloaded from the SOA web site (“Assessment and Selection of Actuarial Assumptions for Measuring Pension Obligations”). The link can be found in the Joint Board Program Document.

8. Miscellaneous topics – Look at regulation 1.412(c)(1)-2 for a description and examples of the shortfall funding method, which can still be used by multiemployer plans. Note that shortfall funding has not been tested since the 2006 exam. IRC section 401(a)(17) describes the rules for the compensation limits.

It is important to check either the Society of Actuaries web site or the Joint Board 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, 2018) will likely be available in late August or early September. 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). Some of the older material is available as free downloads. I recommend Rick's materials. Rick also offers a web-based course, for which you can find information on his web site.
2. ACTEX and the Actuarial Bookstore sell 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 over 190 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), with solutions to exams prior to 2015 available as free downloads. Examinations prior to the 2007 exam are not very helpful in preparation for the current EA-2F exam due to the extensive changes in the syllabus beginning in 2007. To view samples from any of these manuals or to get the free downloads, go to the ASM web site (www.studymanuals.com).
3. The SOA study notes can be used to provide an overview of a few of the topics. They should not be used as a substitute for reading the internal revenue code and regulations. Some of these materials may not have been updated to reflect the changes under PPA. In recent years, students have generally not found these to be especially useful.

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.