

Corrections and Modifications to 2009 EA-2B Exam Solutions

Question 13: The explanation has been revised to read as follows:

The receipt of money from the plan by a disqualified person who is a fiduciary is a prohibited transaction under IRC section 4975(c)(1)(F). There is an exemption under IRC section 4975(d)(10) that provides that reasonable compensation can be paid to a fiduciary providing a service to the plan. However, the IRC section goes on to say that a full-time employee of the employer is not eligible for the exemption (other than reimbursement of personal expenses with regard to the service performed on behalf of the plan). Since the secretary is fulfilling the duties of a plan trustee, he is a disqualified person (IRC section 4975(e)(2)(A)), and is not eligible for the IRC section 4975(d)(10) exemption. Therefore, the payment of \$100 per month is a prohibited transaction. The statement is true.

Question 35: The following should be added to the explanation for statement II:

However, ERISA regulation 4007.13(b) indicates that this exemption from the premium only applies if the plan sponsor's bankruptcy proceeding was filed before October 18, 2005. The statement does not specify the date of the filing of the bankruptcy proceeding, so it may or may not be true. Since in some cases the statement is not true, it must be considered to be false.

Question 40: The explanation for statement I has been modified to read as follows:

The annual PBGC premiums must be paid by either the plan sponsor or the plan administrator under ERISA section 4006(e)(1). Since the plan administrator is a designated payor, the premium can be paid out of plan assets. This is allowed as described in the "Background Information" section of the PBGC's guidance on premium penalty waivers, 71 F.R. 66867 (2006 Federal Register, page 66867). However, ERISA section 4006(a)(7)(D)(i)(II) indicates that for the termination premium, only the plan sponsor is responsible for the payment. Those premiums cannot be paid from the plan assets. The statement is false.

Question 44: The final addition is incorrect (reflecting answer choice E). The actual addition should be:

$$\text{Total present value} = \$25,200 + \$21,000 = \$46,200$$