

2009 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.

David Farber, ASA, EA, MSPA

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 (the Farrimond/Mayer text may not be easily obtainable, so the Aitken text may be the better – and cheaper – option). 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 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. Based upon the 2007 and 2008 exams, it would appear that the unit credit method is the cost method that is most likely to be tested.
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. Be certain to read the version of IRC section 412 that is effective on 1/1/2008, as the rules prior to 2008 are no longer being tested. 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 that also only applies to multiemployer plans is 2000-40. There are a series of proposed regulations regarding IRC section 430 for single employer plans, and although proposed regulations are not generally tested, these regulations are essentially acting as temporary regulations, and could be tested. It is advisable to read through the proposed regulations (issued in 05/07, 08/07, 12/07 and 04/08) under IRC section 430.

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 (although it generally now applies only to multiemployer plans)! Good Revenue Rulings to review are 82-125 and 84-62 (for multiemployer plans). Be certain to read IRC section 404(o) that applies to single employer plans under PPA.
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 relatively new, issued in April, 2007 and replaces the original ERISA regulation. You could also look at Revenue Rulings 98-1 and 2001-51, although just the new 415v regulation should suffice. 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. Ignore Revenue Notice 83-10, as it describes the TEFRA and TRA'86 rules for IRC section 415, and it is 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 for single employer plans. The rulings are still applicable to multiemployer plans.
6. 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. 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, 2009) will likely 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 2009 exam, I would not recommend using study materials from a prior year (although 2008 materials will have incorporated much of the changes, but there are some important technical corrections that have been made since the 2008 exam) since there has been such a dramatic change to the syllabus.

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.
2. ACTEX has various publications for sale (www.actexamdriver.com). Feedback about the ACTEX manual has never been very positive.
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 approximately 150 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). Examinations prior to the 2007 exam are not as helpful in preparation for this year's exam due to the extensive changes in the syllabus beginning in 2007. 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 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. Note that Rick Groszkiewicz also offers a web-based course. You can find information about this course on his web site listed above.