Corrections and Modifications to 2019 EA-2L Exam Solutions

Question 27: The following note has been added to the solution:

Recall that for premium purposes, each participant is to be counted only once, so, for example, if there is a QDRO for a divorced participant, there is only one flat premium for the participant, even though two people are receiving a benefit (the participant and the ex-spouse). If you look at question 17 from the 2018 exam (or similarly question 15 on the 2015 exam), you will find that there are alternate payees of deceased participants listed. These benefits would come from terminated vested participants, and there are none listed in that category, so the alternate payees are counted for purposes of the flat premium.

Compare that to question 27 from the 2019 exam. In that question, there are terminated vested participants listed as well as alternate payees of deceased participants (and alternate payees of deceased retired participants). I believe that the intent is that the 5 alternate payees of deceased participants relate to 5 of the 20 terminated vested participants, and that the 20 beneficiaries of deceased retirees relates to the 50 retirees. So there is no need to count these people a second time. Compared to the questions on previous exams, this question layout was a little confusing, as it was hard to tell whether the alternate payees were in addition to the other participants (vested terminated and retired), or included in those totals.

So here is the rule that I would follow on these questions. If there is no category of terminated vested participants, then include the alternate payees of deceased participants because they have not yet been counted. Similarly, when there is a category of retired participants, this includes deceased retirees, so you would ignore "beneficiaries of retired participants" because the participant was already included in the count. If there is no category of retired participants, then include the beneficiaries of retired participants because they have not yet been counted.

Question 28: The unfunded benefits must be rounded up to the next multiple of $1,000 before applying the 4.3% factor.

2019 variable premium unfunded liability = $1,459,750 – $1,144,500 = $315,250

This must be rounded up to the next multiple of $1,000 -- $316,000.

2019 variable-rate premium = $316,000 × 0.043 = $13,588

Note that this had no effect on the final answer to this question, as the variable premium cap is less than this amount.