

2021 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.

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Here's how I'd start.

1. Actuarial cost methods – In my opinion, the best text that is worth using for this topic is an out of print text, Actuarial Cost Methods, A Review, by Farrimond/Mayer. This text provides solutions to old EA-1B exams from 1984 – 1997, plus a few original questions. It is organized by cost method, allowing a lot of practice on each method. (Although the text is currently out of print, it is available for free download at www.asppa.org/news-resources/researchwhite-papers/actuarial-cost-methods-review-3rd-edition-1999.) Nearly all problems contained in the Farrimond/Mayer text 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 (although the cost methods could be used to determine a recommended contribution to single employer plans as well). Based upon the past 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. Funding issues with regard to these topics are typically tested.
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, 2021) will likely be available in late August or early September. Any new syllabus items should be noted and studied.