

QUESTIONS

SELF ASSESSMENT PROBLEMS

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Self Assessment Problems for Chapter 5

1. MMC maintains a qualified defined benefit plan for eligible employees, with an effective date of January 1, 1990. The plan year for vesting and participation purposes is the calendar year. Eligibility is age 21 + one-year wait + salaried status, with monthly entry dates; Vesting is the 3-to-7 graded schedule, with 1,000 hours required in a plan year
  - a. Harriet was born on November 18, 1957 and hired as a full-time hourly employee of MMC on December 1, 1988. She transfers to full-time salaried status on June 1, 1990. What is her entry date into the plan?
  - b. What are Harriet's vesting years as of December 31, 2000?
  - c. Henry was born on December 1, 1963 and hired as a full-time employee by MMC on December 15, 1995. What is his entry date into the plan?
  - d. As of December 31, 2000, how many vesting years does Henry have?
  - e. What is Henry's vested percentage as of December 31, 2000?
2. Explain the difference between the 12-month period used for determining eligibility versus used for determining vesting.
3. If a plan is top heavy, it must use the 3-year cliff vesting schedule or the 2-to-6 year vesting schedule. True False
4. Under the Code, regardless of the plan's vesting schedule, a participant must be 100% vested as of the plan's normal retirement age. True False

defined benefit