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# ERISA TAX FORMS

## Teaching Session

GREGG L. SKALINDER

This teaching session consists of two parts. First, we will review the Form 5500 for a defined benefit pension plan. The main focus is on an example of allocation of the assets of a master trust.

Second, we will review the new items on the 1978 Schedule B.

Only basic issues will be covered. My examples are only one approach to filling out these forms. In many cases, they are not unique correct answers to the problems you will encounter. In the case of the Schedule B, I have not yet prepared a 1978 Schedule B, so that the example reflects my present intentions.

My pension consulting practice primarily consists of providing services to plans with 100 or more participants. There are issues unique to small pension plans that I will not deal with.

<u>1978 Form 5500</u>

The Form 5500 is intended to fulfill the obligation imposed by the Employee Retirement Income Security Act of 1974 (ERISA) for an annual report for a defined benefit pension plan. Many employers fill out this form on their own. To the extent that there are questions, the problems typically fall into two areas. One area has to do with the proper completion of specific, technical items. The other area relates to asset disclosure - the balance sheet and the statement of income and expenses.

Look at the first page of the sample Form 5500 (Page 504). Under Item 2, the plan administrator is required to have an Internal Revenue Service (IRS) employer identification number. If the administrator is not the employer (for example, a committee consisting of employees of the employer), there must be a separate employer identification number assigned to the plan administrator.

The only other questions I have had on the first page are about Item 6. Item 6 characterizes the plan according to one or more of four categories. Employers are routinely confused about the options offered. The instructions say that "a benefit of X% of compensation is a fixed benefit" (the first choice). "A benefit of X% of compensation times years of service is a unit benefit" (the second choice). "A benefit of a stated dollar amount payable after a specified number of years of service is a flat benefit" (the third alternative). What is the proper characterization of a benefit that is a stated dollar amount times years of service? My answer is that this is a unit benefit plan. What about a Social Security offset plan? I would check "Unit Benefit" and also check "Other" with a note that it is a Social Security offset plan.

On the second page, Item 7 asks for the number of participants as of the end of the plan year. It will come as no surprise to you that many employers have trouble producing these numbers before the filing date for the Form 5500 (7 months after plan year end). This information usually comes from employer records or less often is available from the current year's valuation data.

Item 8 asks for information about plan amendments adopted during the plan year. The instructions should be interpreted literally; the effective date is irrelevant. The question relates to amendments adopted during the year.

The only interesting question that I have ever encountered in preparing a Form 5500 relates to the allocation of the assets of a master trust. The instructions specifically require that Items 13 and 14 (the asset reporting items) be completed by entering each plan's allocable portion of each line item.

The 1976 Form 5500 did not require that individual items be allocated by plan. Consequently, I prepared these items for the entire trust, prepared the remainder of the Form 5500 for the participating plans, and put the same asset items in all of the filings. Apparently many people did that, because the following year the form's instructions were changed.

The instructions provide a different reporting method for plans whose assets are contained in a common/collective trust or pooled separate accounts. The instructions refer to the appropriate regulations for these types of accounts.

Table 1 shows a summary of the items that might be included in the annual report of a master trust prepared by the fund's accountant. Section A is an accrual basis, income/expense statement. The income shows the employer contribution for the plan year (in this example, to be paid after the end of the year). Accrued and unpaid interest and other accrual items might also be shown here, although it is not necessary as long as the reporting is done on a consistent basis from year to year. If the accountant's report is available in time for preparation of the Form 5500 (as opposed to the time for filing) I will always use the figures from that report. If it is not available, I usually use a modified accrual basis for this part of the report: everything on a cash basis except a receivable employer contribution.

Section B of Table 1 shows the cash statement for the master trust. The items included are different from those in the accrual basis summary. In particular, the employer contribution received during the year is for the previous plan year and would have been shown as a receivable item on the previous year's Form 5500. There is no requirement to balance the cash account on the Form 5500.

Section C of Table 1 is a summary of assets held by the master trust. The purchases and sales of other than common stocks are unnecessary for completion of the Form 5500. The 1/1/78 balance plus purchases minus sales does not equal the 1/1/79 balance. The difference is due to an unrealized change in value.

Table 2 shows the allocation of the assets of the master trust between the hypothesized two participating plans. This allocation is done according to a method specified in the trust document. An allocation method should be specified in the trust. If nothing else, it will halve the amount of time spent talking to accountants.

There is not a simple, uniquely correct way to allocate the assets. If the participating plans have widely differing cash flows, the allocation method should take into account the timing of transactions during the year. The method illustrated is to determine an Allocation Base equal to beginning of year value plus 1/2 of the net increase due to the excess of employer contributions over benefit payments. Everything else is defined to be "investment earnings," which are allocated in proportion to the Allocation Base. The end of the year receivable contribution is separately allocated. The total value to be reported on the Form 5500 is the end of year market value (Item 6 on Table 2) plus the receivable employer contribution (Item 7).

If the trust allocation method is too complex (e.g. monthly allocations) or not known, the Allocation Base is equal to the investment "earnings" (ending market value less beginning market value adjusted for all specifically allocable items).

How do you translate the information on Tables 1 and 2 into Items 13 and 14 on the Form 5500? Table 3 shows the allocation strategy for this example. Actual assets as of the beginning of the year are allocated in proportion to each plan's market value excluding the receivable employer contribution. Where possible, line items are allocated specifically to each plan: the employer contribution and benefit payments. Transactions that take place during the year are allocated using the Allocation Base.

Once the allocation strategy has been determined, the figures are translated into the information required for the Form 5500. The example contains three sets of pages 3 and 4 of the Form 5500. The first set is labeled TOTAL FUND. Most of the items on this set of pages come directly from Table 1.

There are two items that do not come directly from Table 1. They are both listed under Item 14(n). Item 14(n)(ii) is the change in the receivable contribution. This item is required because the assets in Item 13 include a receivable contribution and the employer contribution in Item 14 is on a cash basis. If the Item 14 employer contribution is reported on an accrual basis, no change in receivable contribution is needed.

The remaining item, which should be the balancing item, is the unrealized appreciation or depreciation of assets. In this example, it is depreciation of $30,800. The amount of unrealized appreciation or depreciation can be calculated using either the accrual basis or the cash basis figures. The calculations are algebraically equivalent. For this example:

Calculation of Unrealized Appreciation or Depreciation

| | | Accrual | Cash |
|---|---|---|---|
| 1. | 1/1/78 Assets | $887,000 | $762,000 |
| 2. | Employer contribution | 135,000 | 125,000 |
| 3. | Interest | 25,000 | 25,000 |
| 4. | Dividends | 18,000 | 18,000 |
| 5. | Realized gains | 35,000 | 35,000 |
| 6. | Benefit payments | 75,000 | 75,000 |
| 7. | Expenses | 2,200 | 2,200 |
| 8. | Pro-forma 1/1/79 assets (#1 + #2 + #3 + #4 + #5 - #6 - #7) | 1,022,800 | 887,800 |
| 9. | Actual 1/1/79 assets | 992,000 | 857,000 |
| 10. | Unrealized appreciation or depreciation (#9 - #8) | -30,800 | -30,800 |

Note that the sample Form 5500 is not completely consistent. The purpose of the sample is to illustrate the problems that arise when two separate plans are combined in a single master trust. The response to Item 12 (fees paid for services to the plan) is for the entire master trust. In practice, this amount would be allocated among the plans participating in the master trust and reported on each plan's Form 5500. The multiple sets of pages shown for Items 13 and 14 would not be filed as shown. One Form 5500 is filed for each plan, and the existence of the master trust, or of several employers adopting the same plan, is irrelevant.

Once the total fund items have been prepared, the next step is to allocate each individual item to the two plans. Each item on pages 3 and 4 for Plan A is allocated according to the allocation strategy specified in Table 3. For example, the cash at the beginning and end of the year is allocated on the basis of the market value of the assets less the receivable employer contribution. Receivable employer contributions at the beginning and end of the year are specifically allocable. General investments are allocated on the same basis as the cash.

The only other items on page 3 are the common stock transactions in Item 13(n), which, since they are transactions during the year, are allocated on the basis of the Allocation Base defined in Table 2.

The cash on hand cannot be reconciled since the cost of assets purchased (Table 1, Item B6) is not reported. The cash does not balance if the cost of assets purchased is allocated using the Allocation Base. The pre-ERISA Form D-2 required a cash reconciliation and it was common practice to force the cost of assets purchased to the required value.

On page 4 for Plan A the allocation strategy is used for the income and expenses during the year. The cash employer contribution is specifically allocable. The interest, dividends, proceeds, costs and administrative expenses are allocated in proportion to the Allocation Base. Benefit payments are specifically allocable.

Item 14(n) contains two entries. The unrealized appreciation or depreciation of assets is allocated in proportion to the Allocation Base. This value is forced (by $1) to correct for rounding errors so that the assets will balance as required in Item 14(q). The change in receivable contribution is specifically allocable. The allocation for Plan B follows the same strategy.

Item 15 requires disclosure of a change in Enrolled Actuary and an explanation for the change. The first time work within our firm was reassigned, we spent much more time than it was worth discussing what the answer to this question should be. Technically, the plan administrator appoints the Enrolled Actuary. An administrator's statement that "our actuarial firm reassigned the work" is not an explanation of why the change was made - only a statement of the fact. We considered some entertaining possibilities, including asking the plan administrator to send us a letter requesting that the new actuary be appointed Enrolled Actuary for the plan. After considerable discussion, we came to the conclusion that we basically should say nothing. We merely stated that there was a change of responsibility within the firm that provides actuarial services to the plan. In doing so, we abandoned our attempt to reconcile the reality of a world where actuarial services are provided by firms with the ERISA theory that Enrolled Actuaries are individuals.

Item 17 contains information about all the employees of an employer (including a controlled group of employers). The starting point is the total number of employees. From that the statutory exclusions are subtracted leaving Item 17(c), which is the total number not excluded by statute. From that point on, the problem is to get down to the number of employees participating, without suggesting to the IRS that there should be a review of the employer's plan coverage. It is a good idea to specify that employees ineligible under Item 17(d) are covered by other pension plans of the employer (especially if that is the case).

Item 22 requests information about the plan accountant's opinion. Frankly I have trouble telling the difference between a qualified and an unqualified opinion. The accountant usually includes a complete list of what was done or not done, and I am never sure whether what was not done constitutes a qualification. In the face of uncertainty, I always check "Unqualified" since truth is relative in any event.

## 1978 Schedule B

The 1978 Schedule B is intended to fulfill the ERISA requirement for an annual actuarial report for a defined benefit pension plan. In most cases the 1978 form is the same as the 1977 form. The determination and reporting of credits and charges to the funding standard account and the determination of the year end credit balance or deficiency is unchanged. The section on the alternative minimum funding standard account is also unchanged.

The 1978 Schedule B is different in two areas: (1) the reporting of the value of vested and non-vested accrued benefits has been changed; (2) the actuarial methods and assumptions are now reported on the form.

The 1977 Schedule B contained the value of vested benefits. There were no instructions on how this value was to be determined, and no requirement that it be calculated at all.

The values of vested and non-vested accrued benefits are reported on the 1978 form in Items 6(d) and 6(e). These items are required only if calculated for plan years beginning in 1978. They are required for plans with 100 or more participants for plan years beginning in 1979. There are relatively lengthy instructions on how to calculate the numbers. A copy of the instructions is on pages 514 and 515.

Why require that these numbers be shown? ERISA provides that the actuarial report shall include disclosure of the termination position of a plan, including an allocation of the value of vested benefits by termination categories specified in ERISA Section 4044. The intention of ERISA was to show what would happen if the plan actually terminated on a particular date and the liabilities were determined under regulations issued by the Pension Benefit Guaranty Corporation. This reporting requirement has been waived from the beginning and will continue to be waived.

ERISA also provides for the reporting of any other information that the Secretary of Labor requires, presumably because such information is necessary to "fully and fairly disclose the actuarial position of the plan". The information requested in Items 6(d) and 6(e) apparently is required as a substitute for the Section 4044 allocation.

The above does not do much to illuminate what is really wanted in these items. However, the detailed calculation requirements included in the instructions offer some guidance. The present value of accrued benefits is to be increased by the value of any significant subsidized early retirement benefits, and any disability benefits and death benefits which are "related to the accrued benefit". It is clear that future pay increases are not to be taken into account in a pay related plan. In addition, turnover should be assumed for plan participants who are not fully vested. Both of these latter items are implied by the request in Item 12, Column A for disclosure of the turnover rates, but no request for disclosure of a pay increase assumption.

I believe that what is wanted is a classical projected pro-rata unit credit valuation of the plan assuming no future pay increases. The American Academy of Actuaries Interpretation 2 is useful in outlining how to perform this kind of valuation. The Interpretation includes examples of how to take into account subsidized early retirement benefits, supplemental early retirement benefits and other ancillary benefits that may not be taken into account in a regular valuation.

The calculations get fairly complex if your intention is to do a rigorous job. However, there is no justification for the refinement of these numbers (certainly not any more than the refinement of the regular valuation results). The question of substituting your judgment for a client's money arises in this case as in any other case. Any reasonable estimate of the value of ancillary benefits is adequate, as long as a method is consistently applied from one year to the next. My standard with most government reports is to produce results that I can hold up in a crowded room and not have people leave because of the odor.

It is clear that the numbers reported in Items 6(d) and 6(e) are very different from the numbers that are reported to accountants under Accounting Principles Board Opinion Number 8 (APB #8). The APB #8 figures are more oriented toward individual participant termination. Most actuaries calculate these numbers based on the assumption that all employees voluntarily terminate. The benefits valued are those that are available in such a case, and often do not include subsidized early retirement benefits, subsidized joint survivor benefits, disability benefits, etc.

Thus, ERISA has again increased the number of parallel calculations that need to be made. For example, there are three sets of books required to determine an employer's contribution. One set is used to determine the ERISA minimum required contribution, another set is required to determine the Internal Revenue Code maximum deductible contribution, and the third set is required to determine the contribution that meets an employer's funding or accounting goals. Likewise, there are now two layers of calculation for the accrued and vested accrued benefits. One is the traditional APB #8 number, which presumably will continue to be required for corporate financial reporting. The other is the value of accrued and vested accrued benefits disclosed on the Schedule B.

The other new information required on the 1978 Schedule B is in Items 11 and 12. These items cover the actuarial valuation method and assumptions used to determine the values shown in the Schedule B. Item 11 is a check-off of the valuation method used to determine the charges and credits to the funding standard account.

Item 12 covers the actuarial assumptions. Column B is a summary of the assumptions used to determine the charges and credits to the funding standard account. There are three points of minor interest in this area. First, it is refreshing to note that there is specific government recognition of the use of different withdrawal and salary increase rates for males and females. Second, in Item 12(g), what presumably is being requested is the ratio of salary during the year prior to normal retirement (as defined in the plan) to the salary in the year following the age shown. If the interpretation were otherwise, the answer would be zero for all employees if it is assumed that all terminate on their normal retirement age. Third, the instructions to Item 12(e) ask for a percent loading for expenses. The instructions are very clear that a percent figure is requested, but there is no requirement to indicate what the expenses are a percentage of.

The instructions and the assumptions summarized in Item 12, Column A present more interesting questions. In particular, the instructions (under Items 6(d) and 6(e)) require that "Each separate actuarial assumption used in calculating the present value of accrued benefits reported in Item 12 should explicitly reflect the expectations applicable to the plan on an ongoing (rather than a terminating) basis". Ignoring the fact that there are no present values reported in Item 12, it is clear that each individual assumption should be reasonable, and an implicit set of assumptions (which I prefer to call an offsetting set of assumptions) should not be used.

The instructions also require (under Item 12) that if the assumptions are different from those used to determine the charges and credits to the funding standard account, an explanation must be attached. This requirement has been objected to by some actuaries who continue to use an offsetting package of assumptions for regular valuation purposes. For such an actuary there are three ways to deal with the problem. One is to give a satisfactory explanation of why he is using offsetting assumptions for valuation purposes. Another is to change the regular valuation assumptions to an explicit (or individually reasonable) set of assumptions. The third (easiest of all) is to take steps to insure that the client does not pay any attention to the Schedule B.

It is interesting to note that the Department of Labor comments that accompanied the release of the final form of the 1978 Schedule B stated that the proposed requirement for individually reasonable assumptions had been deleted. There is some indication that inclusion of the 'individually reasonable' language in the instructions was an oversight, but the existence of the oversight has not been made public. Some actuarial firms apparently have received verbal assurances that it is an oversight, while those of us with less initiative are left to contend with the instructions.

It is not really such a big issue. The concept of offsetting assumptions does not have any particular meaning in the determination of accrued and vested accrued benefits when there are no future salary increases to offset the effect of an unreasonably low interest rate.

Even if you are using what you consider to be an individually reasonable set of assumptions for regular valuation purposes, it does not follow that these assumptions should also be used to determine the value of accrued and vested accrued benefits on the Schedule B. [For some years I have argued with accountants that the regular valuation interest rate is not appropriate for reporting figures under APB #8. I have lost this argument in every case, and the accountants have used the valuation assumptions.] The weighted average age implied by the value of accrued benefits (weighted by the present value of accrued benefits) typically is quite high. It is on the order of age 45 - 55, or even older, for a group with a large proportion of retired participants. Since the regular valuation assumptions purport to be an estimate of experience over a very long period of time (40 to 50 years), a quite different interest rate might be used if the requirement is to use an estimate of interest rates over the future life-time of the participants entitled to an accrued benefit.

The sample Schedule B shows an interest rate of 8.04% used to determine the values in Items 6(d) and 6(e). That rate is the Moody's Aaa Bond yield index on 12/31/77, the beginning of the plan year. My preference is to tie the interest rate to some such index so that it is not necessary to justify a change each year, but a current rate will always be used. A current interest rate, or an interest rate .5% per cent below a current interest rate to allow for expenses, is appropriate. Given the weighted average age implied by the value of accrued benefits, a current bond yield which is presumably available for a 15 - 20 year period could be used. I cherish the naive hope that the required disclosure on the Schedule B will give me some leverage when discussing the APB #8 assumptions with the accountants.

Employers may soon be looking at figures developed on three different sets of assumptions: those used for funding purposes, those used for APB #8, and those used for reporting the value of accrued benefits on Schedule B.

An interesting but much less important question concerns the appropriate turnover assumption to be used for non-vested participants. Since the regular valuation turnover assumption is intended to apply to the entire group (vested and non-vested), the turnover assumption used only for non-vested employees should be much higher. This assumption typically is not critical since the value of non-vested accrued benefits usually is small in relation to the value of vested benefits, due to the young age and short service of the non-vested participants. In the attached example, I arbitrarily use turnover equal to 160% of the turnover used for the entire group. It may be more appropriate to use a select and ultimate table or even a pure service-related table. However, such refinement may be gilding the lily.

The final item on the Schedule B is Item 12(h). The actuarial report is to include a statement of assumptions (to the extent not already described in Item 12), a more complete statement of the valuation method and a summary of the principal eligibility and benefit provisions of the Plan. In addition, the statement is to contain a description of any changes and the reason for the changes. A sample of an attachment that I have used is attached. There is a great deal of duplication between my attachment and the items reported in Item 12. However, the attachment is made up of a portion of a regular annual valuation report which conveniently can be lifted out of that report for filing with the Schedule B.

Table 1

XYZ CORPORATION

Master Trust Report

A. Accrual Basis Income/Expense

| | | | |
|---|---|---|---|
| 1. | Employer contribution | | $135,000 |
| 2. | Interest | | 25,000 |
| 3. | Dividends | | 18,000 |
| 4. | Realized Gains | | |
| | - Proceeds | $175,000 | |
| | - Cost | 140,000 | |
| | - Net | | 35,000 |
| 5. | Total Income | | 213,000 |
| 6. | Benefit payments | | 75,000 |
| 7. | Expenses | | 2,200 |
| 8. | Total expenses | | 77,200 |
| 9. | Net income | | $135,800 |

B. Cash Balances

| | | |
|---|---|---|
| 1. | Cash 1/1/78 | $ 3,000 |
| 2. | Employer contribution | 125,000 |
| 3. | Interest | 25,000 |
| 4. | Dividends | 18,000 |
| 5. | Proceeds of sales | 175,000 |
| 6. | Cost of purchases | 263,800 |
| 7. | Benefit payments | 75,000 |
| 8. | Expenses | 2,200 |
| 9. | Cash 1/1/79 | $ 5,000 |

C. Asset Summary

| | | 1/1/78 | Purchases | Sales | 1/1/79 |
|---|---|---|---|---|---|
| 1. | Cash | $ 3,000 | | | $ 5,000 |
| 2. | Bonds | 304,000 | $240,800 | $ 53,000 | 526,000 |
| 3. | Common Stocks | 455,000 | 23,000 | 122,000 | 326,000 |
| 4. | Receivable contribution | 125,000 | | | 135,000 |
| 5. | Total | $887,000 | $263,800 | $175,000 | $992,000 |

Table 2

XYZ CORPORATION

Asset Allocation Per Trust Agreement

| | | Plan A | Plan B | Total |
|---|---|---|---|---|
| 1. | Market value 1/1/78 | $436,000 | $326,000 | $762,000 |
| 2. | Employer contribution | 64,000 | 61,000 | 125,000 |
| 3. | Benefit payments | 32,000 | 43,000 | 75,000 |
| 4. | Allocation Base (#1 + 1/2 x (#2 - #3)) | 452,000 | 335,000 | 787,000 |
| 5. | Investment "earnings" (#6 - #1 - #2 + #3) (allocated by #4) | 25,845 | 19,155 | 45,000 |
| 6. | Market value 1/1/79 (#1 + #2 - #3 + #5) | 493,845 | 363,155 | 857,000 |
| 7. | Receivable contribution as of 1/1/79 | 72,000 | 63,000 | 135,000 |

Table 3

XYZ CORPORATION

Form 5500 Allocation Strategy

| | Market Less Receivable | Specific | Allocation Base |
|---|---|---|---|
| Item 13 | | | |
| (a) Cash | X | | |
| (b) Receivable | | X | |
| (c) General investments | X | | |
| (n) Common stock transactions | | | X |
| Item 14 | | | |
| (a) Employer contribution | | X | |
| (d) Earnings | | | X |
| (e) Realized gain (loss) | | | X |
| (h) Benefit payments | | X | |
| (j) Expenses | | | X |
| (n)(i) Unrealized appreciation | | | X |
| (n)(ii) Change in receivable | | X | |

Form **5500**
Department of the Treasury
Internal Revenue Service
Department of Labor
Pension and Welfare Benefit Programs
Pension Benefit Guaranty Corporation

# Annual Return/Report of Employee Benefit Plan (With 100 or more participants)

**This form is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 and sections 6057(b) and 6058(a) of the Internal Revenue Code, referred to as the Code.**

**1978**
**This Form is Open to Public Inspection**

For the calendar plan year 1978 or fiscal plan year beginning , 1978 and ending , 19

**File original of this form, including schedules and attachments, completed in ink or type.**

▶ Keogh (H.R. 10) plans with fewer than 100 participants and with at least one owner-employee participant **do not file this form.** File Form 5500–K instead.
▶ Other pension benefit plans and certain welfare benefit plans with fewer than 100 participants **do not file this form.** File Form 5500–C instead.
▶ Governmental plans and church plans (not electing coverage under section 410(d) of the Code). **Do not file this form.** File Form 5500–G instead.
▶ Welfare benefit plans with 100 or more participants complete only items 1 through 16 and item 22.
▶ Pension benefit plans, unless otherwise excepted, complete all items. Annuity arrangements of certain exempt organizations and individual retirement account trusts of employers complete only items 1 through 6, 9 and 10.
▶ Plan number—Your 3 digit plan number must be entered in item 5(c); see instruction 5(c) for explanation of "plan number."
▶ **If any item does not apply, enter "N/A."**

| | |
|---|---|
| 1 (a) Name of plan sponsor (employer if for a single employer plan)<br>XYZ Corporation | 1 (b) Employer identification number<br>12 ⁞ 3456789 |
| Address (number and street)<br>20 W. Division St. | 1 (c) Telephone number of sponsor<br>( 312 ) 787-4318 |
| City or town, State and ZIP code<br>Chicago, IL 60610 | 1 (d) Employer taxable year ends<br>Month 12 Day 31 Year 1978 |
| 2 (a) Name of plan administrator (if other than plan sponsor)<br>Same | 1 (e) Business code number<br>5813 |
| Address (number and street) | 2 (b) Administrator's employer identification no. |
| City or town, State and ZIP code | 2 (c) Telephone number of administrator<br>( ) |

3 Name, address and identification number of ☐ plan sponsor and/or ☐ plan administrator as they appeared on the last return/report filed for this plan if not the same as in 1 or 2 above ▶ N/A

4 Check appropriate box to indicate the type of plan entity (check only one box):
(a) ☒ Single-employer plan
(b) ☐ Plan of controlled group of corporations or common control employers
(c) ☐ Multiemployer plan
(d) ☐ Multiple-employer-collectively-bargained plan
(e) ☐ Multiple-employer plan (other)
(f) ☐ Group insurance arrangement (of welfare plans)

| | |
|---|---|
| 5 (a) (i) Name of plan ▶ XYZ Corporation Pension Plan A | 5 (b) Effective date of plan<br>12-15-66 |
| (ii) ☐ Check if name of plan changed since last return/report<br>(iii) ☐ Check if plan year changed since last return/report | 5 (c) Enter three digit plan number ▶ 0 0 1 |

6 Check at least one item in (a) or (b) and applicable items in (c). Item (d) on page 2 must be completed:
(a) Welfare benefit plan: (i) ☐ Health insurance (ii) ☐ Life insurance (iii) ☐ Supplemental unemployment
(iv) ☐ Other (specify) ▶
(b) Pension benefit plan:
(i) Defined benefit plan—(Indicate type of defined benefit plan below):
(A) ☐ Fixed benefit (B) ☒ Unit benefit (C) ☐ Flat benefit (D) ☐ Other (specify) ▶
(ii) Defined contribution plan—(indicate type of defined contribution plan below):
(A) ☐ Profit-sharing (B) ☐ Stock bonus (C) ☐ Target benefit (D) ☐ Other money purchase
(E) ☐ Other (specify) ▶
(iii) ☐ Defined benefit plan with benefits based partly on balance of separate account of participant (section 414(k) of the Code)
(iv) ☐ Annuity arrangement of a certain exempt organization (section 403(b)(1) of the Code)
(v) ☐ Custodial account for regulated investment company stock (section 403(b)(7) of the Code)
(vi) ☐ Trust treated as an individual retirement account (section 408(c) of the Code)
(vii) ☐ Employee stock ownership plan not part of a qualified plan (section 301(d) of the Tax Reduction Act of 1975)
(viii) ☐ Other (specify) ▶

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Date ▶ ........ Signature of employer/plan sponsor ▶ ........

Date ▶ ........ Signature of plan administrator ▶ ........

Form 5500 (1978) **Item 6(d) Must be completed** Page 2

6 *(Continued)*

(c) Other plan features: (i) ☐ Thrift-savings (ii) ☐ Keogh (H.R. 10) plan

(iii) ☐ Employee stock ownership as part of a qualified plan (check only if you checked a box in (b)(ii) above)

(d) Is this plan covered under the Pension Benefit Guaranty Corporation termination insurance program? . . . ☐ Yes ☐ No ☐ Not determined

If "Yes," list employer identification number and/or plan number used in any filing with PBGC if the number was different than the numbers listed in item 1(b) or 5(c) ▶

7 Number of participants as of the end of the plan year (welfare plans complete only (a)(iv), (b), (c) and (d)):

(a) Active participants (employed or carried as active) (i) Number fully vested . . 45

(ii) Number partially vested . 0

(iii) Number nonvested . . . 75

(iv) *Total* . . . 120

(b) Retired or separated participants receiving benefits . . . 7

(c) Retired or separated participants entitled to future benefits . . . 4

(d) Subtotal, sum of (a), (b) and (c) . . . 131

(e) Deceased participants whose beneficiaries are receiving or are entitled to receive benefits . . . 1

(f) Total, (d) plus (e) . . . 132

| | Yes | No |
|---|---|---|
| (g) During the plan year, was any participant(s) separated from service with a deferred vested benefit (if "Yes," see instructions)? | | X |
| 8 Plan amendment information (welfare plans complete only (a), (b)(i) and (c)): | | |
| (a) Was any amendment to this plan adopted in this plan year? | | X |
| (b) If "Yes," (i) And if a material modification, has a summary description of this modification— | | |
| (A) *Been sent to plan participants?* | | N/A |
| (B) Been filed with DOL? | | N/A |
| (ii) Does any such amendment result in the reduction of the accrued benefit of any participant under the plan? | | N/A |
| (iii) Will amendment result in a reduction of current or future benefits? | | N/A |
| (iv) Has a determination letter been requested from IRS with respect to such amendment? | | N/A |
| (c) Enter the date the most recent amendment was adopted . . ▶ Month 10 Day 17 Year 76 | | |
| 9 Plan termination information (welfare plans complete only (a), (b), (c) and (f)): | | |
| (a) Was this plan terminated during ☐ this plan year or ☐ any prior plan year? | | X |
| (b) *If "Yes," were all trust assets distributed to participants or beneficiaries or transferred to another plan?* | | N/A |
| (c) Was a resolution to terminate this plan adopted during this plan year or any prior plan year? | | X |
| (d) If (a) or (c) is "Yes," have you received a favorable determination letter from IRS with respect to such termination? | | N/A |
| (e) *If (d) is "No," has a determination letter been requested from IRS?* | | N/A |
| (f) If (a) or (c) is "Yes," have participants and beneficiaries been notified of the termination or the proposed termination? | | N/A |
| (g) If line 6(d) is "Yes," and either item 9(a) or (c) is "Yes," has a notice of intent to terminate been filed with PBGC? | | N/A |
| 10 (a) In this plan year, was this plan merged or consolidated into another plan or were assets or liabilities transferred to another plan? | | X |

If "Yes," identify other plan(s): (c) Employer identification number(s) (d) Plan number(s)

(b) Name of plan(s) ▶

(e) Has Form 5310 been filed with IRS? . . . ☐ Yes ☐ No

11 *Indicate funding arrangement:* (a) ☒ *Trust (benefits provided in whole from trust funds)*

(b) ☐ Trust or arrangement providing benefits partially through insurance and/or annuity contracts

(c) ☐ Trust or arrangement providing benefits exclusively through insurance and/or annuity contracts

(d) ☐ Custodial account described in section 401(f) of the Code and not included in (c) above

(e) ☐ Other (specify) ▶

(f) If (b) or (c) is checked, enter the number of Schedule A's (Form 5500) which are attached . . . ▶

12 Did any person who rendered services to the plan receive, directly or indirectly, compensation from the plan in the plan year? . . ☐ Yes ☐ No

If "Yes," furnish the following information:

| a. Name | b. Official plan position | c. Relationship to employer, employee organization or person known to be a party-in-interest | d. Gross salary or allowances paid by plan | e. Fees and commissions paid by plan | f. Nature of service code (see instructions) |
|---|---|---|---|---|---|
| Heavy Bank | Trustee | None | N/A | 2,200 | 26 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

TOTAL FUND

Form 5500 (1978) Page 3

**13** Plan assets and liabilities at the beginning and the end of the plan year (list all assets and liabilities at current value). A plan with no trust and which is funded entirely by allocated insurance contracts which fully guarantee the amount of benefit payments should check box and not complete this item . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ☐

**Note:** *Include all plan assets and liabilities of a trust or separately maintained fund. (If more than one trust/fund, report on a combined basis.) Include all insurance values except for the value of that portion of an allocated insurance contract which fully guarantees the amount of benefit payments. Round off amounts to nearest dollar. Trusts with no assets at the beginning and the end of the plan year enter zero on line 13(h).*

| Assets | a. Beginning of year | b. End of year |
|---|---|---|
| **(a)** Cash: *(i)* On hand | 3,000 | 5,000 |
| *(ii)* In bank: (A) Certificates of deposit | | |
| (B) Other interest bearing | | |
| (C) Noninterest bearing | | |
| *(iii)* Total cash, sum of (i) and (ii) | 3,000 | 5,000 |
| **(b)** Receivables: *(i)* Employer contributions | 125,000 | 135,000 |
| *(ii)* Employee contributions | | |
| *(iii)* Other | | |
| *(iv)* Reserve for doubtful accounts | | |
| *(v)* Net receivables, sum of (i), (ii) and (iii) minus (iv) | 125,000 | 135,000 |
| **(c)** General investments other than party-in-interest investments: | | |
| *(i)* U.S. Government securities: (A) Long term | | |
| (B) Short term | | |
| *(ii)* State and municipal securities | | |
| *(iii)* Corporate debt instruments: (A) Long term | 304,000 | 526,000 |
| (B) Short term | | |
| *(iv)* Corporate stocks: (A) Preferred | | |
| (B) Common | 455,000 | 326,000 |
| *(v)* Shares of a registered investment company | | |
| *(vi)* Real estate | | |
| *(vii)* Mortgages | | |
| *(viii)* Loans other than mortgages | | |
| *(ix)* Value of interest in pooled fund(s) | | |
| *(x)* Other investments | | |
| *(xi)* Total general investments, sum of (i) through (x) | 759,000 | 852,000 |
| **(d)** Party-in-interest investments: | | |
| *(i)* Corporate debt instruments | | |
| *(ii)* Corporate stocks: (A) Preferred | | |
| (B) Common | | |
| *(iii)* Real estate | | |
| *(iv)* Mortgages | | |
| *(v)* Loans other than mortgages | | |
| *(vi)* Other investments | | |
| *(vii)* Total party-in-interest investments, sum of (i) through (vi) | | |
| **(e)** Buildings and other depreciable property | | |
| **(f)** Value of unallocated insurance contracts (other than pooled separate accounts): | | |
| *(i)* Separate accounts | | |
| *(ii)* Other | | |
| *(iii)* Total, (i) plus (ii) | | |
| **(g)** Other assets | | |
| **(h)** Total assets, sum of (a)(iii), (b)(v), (c)(xi), (d)(vii), (e), (f)(iii) and (g) | 887,000 | 992,000 |
| **Liabilities** | | |
| **(i)** Payables: *(i)* Plan claims | | |
| *(ii)* Other payables | | |
| *(iii)* Total payables, (i) plus (ii) | | |
| **(j)** Acquisition indebtedness | | |
| **(k)** Other liabilities | | |
| **(l)** Total liabilities, sum of (i)(iii), (j) and (k) | | |
| **(m)** Net assets, (h) less (l) | 887,000 | 992,000 |

| | |
|---|---|
| **(n)** During the plan year what were the: | |
| *(i)* Total cost of acquisitions for common stock? | 23,000 |
| *(ii)* Total proceeds from dispositions of common stock? | 122,000 |

TOTAL FUND

Form 5500 (1978) Page 4

**14** Plan income, expenses and changes in net assets for the plan year:
**Note:** *Include all income and expenses of a trust(s) or separately maintained fund(s) including any payments made for allocated insurance contracts. Round off amounts to nearest dollar.*

| Income | a. Amount | b. Total |
|---|---|---|
| **(a)** *Contributions received or receivable in cash from—* | | |
| (i) Employer(s) (including contributions on behalf of self-employed individuals) | 125,000 | |
| (ii) Employees | | |
| (iii) Others | | 125,000 |
| **(b)** Noncash contributions (specify nature and by whom made) ▶ | | |
| **(c)** Total contributions, sum of (a) and (b) | | 125,000 |
| **(d)** Earnings from investments— | | |
| (i) Interest | 25,000 | |
| (ii) Dividends | 18,000 | |
| (iii) Rents | | |
| (iv) Royalties | | 43,000 |
| **(e)** *Net realized gain (loss) on sale or exchange of assets—* | | |
| (i) Aggregate proceeds | 175,000 | |
| (ii) Aggregate costs | 140,000 | 35,000 |
| **(f)** Other income (specify) ▶ | | |
| **(g)** Total income, sum of (c) through (f) | | 203,000 |
| **Expenses** | **a. Amount** | **b. Total** |
| **(h)** Distribution of benefits and payments to provide benefits— | | |
| (i) Directly to participants or their beneficiaries | 75,000 | |
| (ii) To insurance carrier or similar organization for provision of benefits | | |
| (iii) To other organizations or individuals providing welfare benefits | | 75,000 |
| **(i)** Interest expense | | |
| **(j)** *Administrative expenses—* | | |
| (i) Salaries and allowances | | |
| (ii) Fees and commissions | 2,200 | |
| (iii) Insurance premiums for Pension Benefit Guaranty Corporation | | |
| (iv) Insurance premiums for fiduciary insurance other than bonding | | |
| (v) Other administrative expenses | | 2,200 |
| **(k)** Other expenses (specify) ▶ | | |
| **(l)** Total expenses, sum of (h) through (k) | | 77,200 |
| **(m)** Net income (expenses), (g) minus (l) | | 125,800 |
| **(n)** Change in net assets— | **a. Amount** | **b. Total** |
| (i) Unrealized appreciation (depreciation) of assets | (30,800) | |
| (ii) Other changes (specify) ▶ Change in receivable contrib. | 10,000 | (20,800) |
| **(o)** *Net increase (decrease) in net assets for the year, (m) plus (n)* | | 105,000 |
| **(p)** Net assets at beginning of year, line 13(m), column a | | 887,000 |
| **(q)** Net assets at end of year, (o) plus (p) (equals line 13(m), column b) | | 992,000 |

**15** Has there been any change since the last report in the appointment of any trustee, accountant, insurance carrier, enrolled actuary, administrator, investment manager or custodian? Yes: X No:

If "Yes," explain and include the name, position, address and telephone number of the individual who left or was removed by the plan ▶ Change of responsibility within the firm
that provides actuarial services

Richard Daskais
Enrolled Actuary
2 N. Riverside Plaza
Chicago, IL 60606
312/648-7422

PLAN A

Form 5500 (1978) Page 3

**13** Plan assets and liabilities at the beginning and the end of the plan year (list all assets and liabilities at current value). A plan with no trust and which is funded entirely by allocated insurance contracts which fully guarantee the amount of benefit payments should check box and not complete this item . . . ☐

**Note:** *Include all plan assets and liabilities of a trust or separately maintained fund. (If more than one trust/fund, report on a combined basis.) Include all insurance values except for the value of that portion of an allocated insurance contract which fully guarantees the amount of benefit payments. Round off amounts to nearest dollar. Trusts with no assets at the beginning and the end of the plan year enter zero on line 13(h).*

| Assets | a. Beginning of year | b. End of year |
|---|---|---|
| **(a)** Cash: *(i)* On hand | 1,717 | 2,881 |
| *(ii)* In bank: (A) Certificates of deposit | | |
| (B) Other interest bearing | | |
| (C) Noninterest bearing | | |
| *(iii)* Total cash, sum of (i) and (ii) | 1,717 | 2,881 |
| **(b)** Receivables: *(i)* Employer contributions | 64,000 | 72,000 |
| *(ii)* Employee contributions | | |
| *(iii)* Other | | |
| *(iv)* Reserve for doubtful accounts | | |
| *(v)* Net receivables, sum of (i), (ii) and (iii) minus (iv) | 64,000 | 72,000 |
| **(c)** General investments other than party-in-interest investments: | | |
| *(i)* U.S. Government securities: (A) Long term | | |
| (B) Short term | | |
| *(ii)* State and municipal securities | | |
| (iii) Corporate debt instruments: (A) Long term | 173,942 | 303,107 |
| (B) Short term | | |
| *(iv)* Corporate stocks: (A) Preferred | | |
| (B) Common | 260,341 | 187,857 |
| *(v)* Shares of a registered investment company | | |
| *(vi)* Real estate | | |
| *(vii)* Mortgages | | |
| *(viii)* Loans other than mortgages | | |
| *(ix)* Value of interest in pooled fund(s) | | |
| *(x)* Other investments | | |
| *(xi)* Total general investments, sum of (i) through (x) | 434,283 | 490,964 |
| **(d)** Party-in-interest investments: | | |
| *(i)* Corporate debt instruments | | |
| *(ii)* Corporate stocks: (A) Preferred | | |
| (B) Common | | |
| *(iii)* Real estate | | |
| *(iv)* Mortgages | | |
| (v) Loans other than mortgages | | |
| *(vi)* Other investments | | |
| *(vii)* Total party-in-interest investments, sum of (i) through (vi) | | |
| **(e)** Buildings and other depreciable property | | |
| **(f)** Value of unallocated insurance contracts (other than pooled separate accounts): | | |
| (i) Separate accounts | | |
| *(ii)* Other | | |
| *(iii)* Total, (i) plus (ii) | | |
| **(g)** Other assets | | |
| **(h)** Total assets, sum of (a)(iii), (b)(v), (c)(xi), (d)(vii), (e), (f)(iii) and (g) | 500,000 | 565,845 |
| **Liabilities** | | |
| **(i)** Payables: *(i)* Plan claims | | |
| *(ii)* Other payables | | |
| *(iii)* Total payables, (i) plus (ii) | | |
| **(j)** Acquisition indebtedness | | |
| **(k)** Other liabilities | | |
| **(l)** Total liabilities, sum of (i)(iii), (j) and (k) | | |
| **(m)** Net assets, (h) less (l) | 500,000 | 565,845 |
| **(n)** During the plan year what were the: | | |
| *(i)* Total cost of acquisitions for common stock? | | 13,210 |
| *(ii)* Total proceeds from dispositions of common stock? | | 70,069 |

PLAN A

Form 5500 (1978) Page 4

14 Plan income, expenses and changes in net assets for the plan year:
**Note:** *Include all income and expenses of a trust(s) or separately maintained fund(s) including any payments made for allocated insurance contracts. Round off amounts to nearest dollar.*

| Income | a. Amount | b. Total |
|---|---|---|
| (a) Contributions received or receivable in cash from— | | |
| (i) Employer(s) (including contributions on behalf of self-employed individuals) | 64,000 | |
| (ii) Employees | | |
| (iii) Others | | 64,000 |
| (b) Noncash contributions (specify nature and by whom made) ▶ | | |
| (c) Total contributions, sum of (a) and (b) | | 64,000 |
| (d) Earnings from investments— | | |
| (i) Interest | 14,358 | |
| (ii) Dividends | 10,338 | |
| (iii) Rents | | |
| (iv) Royalties | | 24,696 |
| (e) Net realized gain (loss) on sale or exchange of assets— | | |
| (i) Aggregate proceeds | 100,508 | |
| (ii) Aggregate costs | 80,407 | 20,101 |
| (f) Other income (specify) ▶ | | |
| (g) Total income, sum of (c) through (f) | | 108,797 |

| Expenses | a. Amount | b. Total |
|---|---|---|
| (h) Distribution of benefits and payments to provide benefits— | | |
| (i) Directly to participants or their beneficiaries | 32,000 | |
| (ii) To insurance carrier or similar organization for provision of benefits | | |
| (iii) To other organizations or individuals providing welfare benefits | | 32,000 |
| (i) Interest expense | | |
| (j) Administrative expenses— | | |
| (i) Salaries and allowances | | |
| (ii) Fees and commissions | 1,264 | |
| (iii) Insurance premiums for Pension Benefit Guaranty Corporation | | |
| (iv) Insurance premiums for fiduciary insurance other than bonding | | |
| (v) Other administrative expenses | | 1,264 |
| (k) Other expenses (specify) ▶ | | |
| (l) Total expenses, sum of (h) through (k) | | 33,264 |
| (m) Net income (expenses), (g) minus (l) | | 75,533 |

| | a. Amount | b. Total |
|---|---|---|
| (n) Change in net assets— | | |
| (i) Unrealized appreciation (depreciation) of assets | (17,688) | |
| (ii) Other changes (specify) ▶ Change in receivable contrib. | 8,000 | ( 9,688) |
| (o) Net increase (decrease) in net assets for the year, (m) plus (n) | | 65,845 |
| (p) Net assets at beginning of year, line 13(m), column a | | 500,000 |
| (q) Net assets at end of year, (o) plus (p) (equals line 13(m), column b) | | 565,845 |

15 Has there been any change since the last report in the appointment of any trustee, accountant, insurance carrier, enrolled actuary, administrator, investment manager or custodian? Yes ☐ No ☐

If "Yes," explain and include the name, position, address and telephone number of the individual who left or was removed by the plan ▶

PLAN B

Form 5500 (1978) Page 3

**13** **Plan assets and liabilities at the beginning and the end of the plan year (list all assets and liabilities at current value). A plan with no trust and which is funded entirely by allocated insurance contracts which fully guarantee the amount of benefit payments should check box and not complete this item** . . . . . ☐

**Note:** *Include all plan assets and liabilities of a trust or separately maintained fund. (If more than one trust/fund, report on a combined basis.) Include all insurance values except for the value of that portion of an allocated insurance contract which fully guarantees the amount of benefit payments. Round off amounts to nearest dollar. Trusts with no assets at the beginning and the end of the plan year enter zero on line 13(h).*

| **Assets** | a. Beginning of year | b. End of year |
|---|---|---|
| **(a)** Cash: *(i)* On hand | 1,283 | 2,119 |
| *(ii)* In bank: (A) Certificates of deposit | | |
| (B) Other interest bearing | | |
| (C) Noninterest bearing | | |
| *(iii)* Total cash, sum of (i) and (ii) | 1,283 | 2,119 |
| **(b)** Receivables: *(i)* Employer contributions | 61,000 | 63,000 |
| *(ii)* Employee contributions | | |
| *(iii)* Other | | |
| *(iv)* Reserve for doubtful accounts | | |
| *(v)* Net receivables, sum of (i), (ii) and (iii) minus (iv) | 61,000 | 63,000 |
| **(c)** General investments other than party-in-interest investments: | | |
| *(i)* U.S. Government securities: (A) Long term | | |
| (B) Short term | | |
| *(ii)* State and municipal securities | | |
| *(iii)* Corporate debt instruments: (A) Long term | 130,058 | 222,893 |
| (B) Short term | | |
| *(iv)* Corporate stocks: (A) Preferred | 194,659 | 138,143 |
| (B) Common | | |
| *(v)* Shares of a registered investment company | | |
| *(vi)* Real estate | | |
| *(vii)* Mortgages | | |
| *(viii)* Loans other than mortgages | | |
| *(ix)* Value of interest in pooled fund(s) | | |
| *(x)* Other investments | | |
| *(xi)* Total general investments, sum of (i) through (x) | 324,717 | 361,036 |
| **(d)** Party-in-interest investments: | | |
| *(i)* Corporate debt instruments | | |
| *(ii)* Corporate stocks: (A) Preferred | | |
| (B) Common | | |
| *(iii)* Real estate | | |
| *(iv)* Mortgages | | |
| *(v)* Loans other than mortgages | | |
| *(vi)* Other investments | | |
| *(vii)* Total party-in-interest investments, sum of (i) through (vi) | | |
| **(e)** Buildings and other depreciable property | | |
| **(f)** Value of unallocated insurance contracts (other than pooled separate accounts): | | |
| *(i)* Separate accounts | | |
| *(ii)* Other | | |
| *(iii)* Total, (i) plus (ii) | | |
| **(g)** Other assets | | |
| **(h)** Total assets, sum of (a)(iii), (b)(v), (c)(xi), (d)(vii), (e), (f)(iii) and (g) | 387,000 | 426,155 |
| **Liabilities** | | |
| **(i)** Payables: (i) Plan claims | | |
| *(ii)* Other payables | | |
| *(iii)* Total payables, (i) plus (ii) | | |
| **(j)** Acquisition indebtedness | | |
| **(k)** Other liabilities | | |
| **(l)** Total liabilities, sum of (i)(iii), (j) and (k) | | |
| **(m)** Net assets, (h) less (l) | 387,000 | 426,155 |
| **(n)** During the plan year what were the: | | |
| *(i)* Total cost of acquisitions for common stock? | | 9,790 |
| *(ii)* Total proceeds from dispositions of common stock? | | 51,931 |

PLAN B

Form 5500 (1978) Page 4

**14** Plan income, expenses and changes in net assets for the plan year:
**Note:** *Include all income and expenses of a trust(s) or separately maintained fund(s) including any payments made for allocated insurance contracts. Round off amounts to nearest dollar.*

| Income | a. Amount | b. Total |
|---|---|---|
| **(a)** Contributions received or receivable in cash from— | | |
| (i) Employer(s) (including contributions on behalf of self-employed individuals) | 61,000 | |
| (ii) Employees | | |
| (iii) Others | | 61,000 |
| **(b)** Noncash contributions (specify nature and by whom made) ▶ | | |
| **(c)** Total contributions, sum of (a) and (b) | | 61,000 |
| **(d)** Earnings from investments— | | |
| (i) Interest | 10,642 | |
| (ii) Dividends | 7,662 | |
| (iii) Rents | | |
| (iv) Royalties | | 18,304 |
| **(e)** Net realized gain (loss) on sale or exchange of assets— | | |
| (i) Aggregate proceeds | 74,492 | |
| (ii) Aggregate costs | 59,593 | 14,899 |
| **(f)** Other income (specify) ▶ | | |
| **(g)** Total income, sum of (c) through (f) | | 94,203 |

| Expenses | a. Amount | b. Total |
|---|---|---|
| **(h)** Distribution of benefits and payments to provide benefits— | | |
| (i) Directly to participants or their beneficiaries | 43,000 | |
| (ii) To insurance carrier or similar organization for provision of benefits | | |
| (iii) To other organizations or individuals providing welfare benefits | | 43,000 |
| **(i)** Interest expense | | |
| **(j)** Administrative expenses— | | |
| (i) Salaries and allowances | | |
| (ii) Fees and commissions | 936 | |
| (iii) Insurance premiums for Pension Benefit Guaranty Corporation | | |
| (iv) Insurance premiums for fiduciary insurance other than bonding | | |
| (v) Other administrative expenses | | 936 |
| **(k)** Other expenses (specify) ▶ | | |
| **(l)** Total expenses, sum of (h) through (k) | | 43,936 |
| **(m)** Net income (expenses), (g) minus (l) | | 50,267 |

| | a. Amount | b. Total |
|---|---|---|
| **(n)** Change in net assets— | | |
| (i) Unrealized appreciation (depreciation) of assets | (13,112) | |
| (ii) Other changes (specify) ▶ Change in receivable contrib. | 2,000 | (11,112) |
| **(o)** Net increase (decrease) in net assets for the year, (m) plus (n) | | 39,155 |
| **(p)** Net assets at beginning of year, line 13(m), column a | | 387,000 |
| **(q)** Net assets at end of year, (o) plus (p) (equals line 13(m), column b) | | 426,155 |

**15** Has there been any change since the last report in the appointment of any trustee, accountant, insurance carrier, *enrolled actuary, administrator, investment manager or custodian?* Yes ☐ No ☐

If "Yes," explain and include the name, position, address and telephone number of the individual who left or was removed by the plan ▶

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| | Yes | No |
|---|---|---|
| **16** Bonding: | | |
| **(a)** Was the plan insured by a fidelity bond against losses through fraud or dishonesty? | X | |
| If "Yes," indicate number of plans covered by this bond ▶ 2 | | |
| **(b)** If (a) is "Yes," enter the maximum amount of loss recoverable ▶ $100,000 | | |
| **(c)** Enter the name of the surety company ▶ Midnight Surety of Muncie | | |
| **(d)** Does the plan, or a known party-in-interest with respect to the plan, have any control or significant financial interest, direct or indirect, in the surety company or its agents or brokers? | | X |
| **(e)** If the plan is not insured by a fidelity bond, explain why not ▶ N/A | | |
| **(f)** In the current plan year was any loss to the plan caused by the fraud or dishonesty of any plan official or employee of the plan or of other person handling funds of the plan? If "Yes," see specific instructions. | | X |

**17** Information about employees of employer at end of the plan year. (Plans not purporting to satisfy the percentage tests of section 410(b)(1)(A) of the Code complete only (a) below and see specific instructions):

| | |
|---|---|
| **(a)** Total number of employees | 4,542 |
| **(b)** Number of employees excluded under the plan because of: | |
| *(i)* Minimum age or years of service | |
| *(ii)* Employees on whose behalf retirement benefits were the subject of collective bargaining | 2,309 |
| *(iii)* Nonresident aliens who receive no earned income from United States sources | |
| *(iv)* Total excluded, sum of (i), (ii) and (iii) | 2,309 |
| **(c)** Total number of employees not excluded, (a) less (b)(iv) | 2,233 |
| **(d)** Employees ineligible (specify reason) ▶ Salaried employees | 2,113 |
| **(e)** Employees eligible to participate, (c) less (d) | 120 |
| **(f)** Employees eligible but not participating | 0 |
| **(g)** Employees participating, (e) less (f) | 120 |

| | Yes | No |
|---|---|---|
| **18** Is this plan an adoption of a: **(a)** ☐ Master/prototype, **(b)** ☐ Field prototype, **(c)** ☐ Pattern, **(d)** ☐ Model plan or **(e)** ☐ Bond purchase plan? | | X |
| If "Yes," enter the four or eight digit IRS serial number (see instructions) ▶ | | |
| **19 (a)** Is it intended that this plan qualify under section 401(a) or 405 of the Code? | X | |
| **(b)** Have you requested or received a determination letter from the IRS for this plan? | X | |
| **20** If plan is integrated, check appropriate box: **(a)** ☐ Social security **(b)** ☐ Railroad retirement **(c)** ☐ Other N/A | | |
| **21 (a)** Is this a defined benefit plan subject to the minimum funding standards for this plan year? If "Yes," attach Schedule B (Form 5500). | X | |
| **(b)** Is this a defined contribution plan, i.e., money purchase or target benefit, subject to the minimum funding standards? (If a waiver was granted, see instructions.) | | X |

If "Yes," complete (i), (ii) and (iii) below:

| | |
|---|---|
| *(i)* Amount of employer contribution required for the plan year under section 412 of the Code | N/A |
| *(ii)* Amount of contribution paid by the employer for the plan year | N/A |
| Enter date of last payment by employer ▶ Month ........... Day ........... Year ........... | |
| *(iii)* Funding deficiency, excess, if any, of (i) over (ii) (file Form 5330 to pay tax on deficiency) | N/A |

| | Yes | No |
|---|---|---|
| **22** The following questions relate to the plan year. If (a)(i), (ii), (iii), (iv) or (v) is checked "Yes," schedules of such items in the format set forth in the instructions are required to be attached to this form. | | |
| **(a)** *(i)* Did the plan have assets held for investment? | X | |
| *(ii)* Did any non-exempt transaction involving plan assets involve a party known to be a party-in-interest? | | X |
| *(iii)* Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectable? | | X |
| *(iv)* Were any leases to which the plan was a party in default or classified during the year as uncollectable? | | X |
| *(v)* Were any plan transactions or series of transactions in excess of 3% of the current value of plan assets? | X | |

**(b)** The accountant's opinion is ☐ not required or ☒ required, attached to this form, and is—

*(i)* ☒ Unqualified
*(ii)* ☐ Qualified
*(iii)* ☐ Adverse
*(iv)* ☐ Other (explain)

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| | Yes | No |
|---|---|---|
| **23** Complete this item only if you answered "Yes," to Item 6(d) | | |
| *Did one or more of the following reportable events or other events requiring notice to the Pension Benefit Guaranty* Corporation occur during this plan year? | | X |
| If "Yes," complete (a) through (h) below. | | |
| **(a)** Notification by the Internal Revenue Service that the plan has ceased to be a plan as described in Section 4021(a)(2) of ERISA or a determination by the Secretary of Labor of non-compliance with Title I of ERISA | | |
| **(b)** A decrease in active participants to the extent specified in the instructions | | |
| **(c)** A determination by the Internal Revenue Service that there has been a termination or partial termination of the plan within the meaning of Section 411(d)(3) of the Code | | |
| **(d)** An inability to pay benefits when due | | |
| **(e)** A distribution to a Substantial Owner to the extent specified in the instructions | | |
| **(f)** An alternative method of compliance has been prescribed for this plan by the Secretary of Labor under Section 110 of ERISA | | |
| **(g)** A cessation of operations at a facility to the extent specified in the instructions | | |
| **(h)** A withdrawal of a substantial employer | | |

**If additional space is required for any item, attach additional sheets the same size as this form.**

☆ U.S. GOVERNMENT PRINTING OFFICE : 1978—O-263-183 23-188-5979

**Department of the Treasury**
Internal Revenue Service

**Department of Labor**
Pension and Welfare Benefit Programs

**Pension Benefit Guaranty Corporation**

# 1978 Instructions for Schedule B (Form 5500)

## Actuarial Information

*(Code references are to the Internal Revenue Code. ERISA refers to the Employee Retirement Income Security Act of 1974.)*

## General Instructions

**Who Must File.**—The employer or plan administrator of a defined benefit plan that is subject to the minimum funding standards (see section 412 of the Code and Part 3 of Title I of ERISA) must file this schedule as an attachment to the annual return/report filed for plan years beginning on or after January 1, 1976. Plans maintained on January 1, 1974, pursuant to one or more collective bargaining agreements entered into before September 2, 1974, are not subject to the minimum funding standards for plan years beginning before the earlier of the termination of the collective bargaining agreement(s) or January 1, 1981.

For split-funded plans, the costs and contributions reported on Schedule B should include those relating to both trust funds and insurance carriers.

## Specific Instructions

(References are to line items on the form.)

**4(a).** A collectively bargained plan only may elect the shortfall funding method (see regulations under section 412 of the Code). Advance approval from the IRS of the election of the shortfall method of funding is NOT required if it is first adopted on or before the later of (i) the first plan year to which section 412 of the Code applies or (ii) the last plan year commencing before December 31, 1980. However, advance approval from IRS is required, if adopted at a later time or if discontinued.

**4(b).** Advance approval from IRS of the election to defer the amortization of the shortfall gain (loss) and/or the amortization of the actuarial gain (loss) is required for a plan year, subsequent to the first plan year to which the shortfall method applies. Advance approval from IRS is required for discontinuance.

**5.** Changes in funding methods include changes in actuarial cost method, changes in asset valuation method and changes in the valuation date of plan costs and liabilities or of plan assets. Such changes require IRS approval.

**6(a).** The valuation for a plan year may be as of any date in the year, including the first and last. Valuations must be performed within the period specified by section 103(d) of ERISA and section 6059(a) of the Code.

**6(b).** Not applicable to the first plan year to which the minimum funding standards apply.

**6(c).** Enter current value of total assets as of the beginning of the plan year, as shown in item 13 on Form 5500, 5500–C or 5500–K. The beginning of the plan year value should be the same figure as that of the end of the prior plan year.

**6(d) and (e).** Schedule B for plan years beginning in 1979 will require that the information indicated in 6(d) and (e) be completed for all plans with 100 or more participants, in accordance with these instructions. Plans with fewer than 100 participants are to supply these figures if calculated. For plan years beginning in 1978, the information is required only to the extent it has been calculated. If the value indicated in item (d) has been calculated as of the beginning of the plan year beginning in 1978, it should be entered regardless of whether it has been determined according to these instructions. The term "accrued benefit" means the individual's accrued benefit determined under the plan as required by section 204 of ERISA.

Each separate actuarial assumption used in calculating the present value of accrued benefits reported in item 12 should explicitly reflect the expectations applicable to the plan on an ongoing (rather than a terminating) basis. The actuary shall take into account rates of early retirement and the plan's early retirement provisions as they relate to the accrued benefits, where these would significantly affect the results. See instructions for item 12 for further requirements concerning actuarial assumptions.

Where significant, the present value of accrued benefits for both (d) and (e) shall be increased by the present value of any subsidized early retirement benefits, disability benefits and death benefits which are related to the accrued benefit. The present value of accrued benefits should also be increased by the present value of a cost-of-living clause if such a clause is currently part of the benefit formula.

The present values should be determined as of the beginning of the plan year.

Omit from items 6(d) and (e) liabilities fully funded by annuity and insurance contracts other than any contract funds not allocated to individuals.

**6(d).** Include the present value of all vested accrued benefits that are vested as of the beginning of the plan year. 6(d)(i) should include the present value of vested benefits for all retired participants. 6(d)(ii) should include the present value of vested benefits for other participants. 6(d)(iii) is the sum of 6(d)(i) and (ii).

**6(e).** Include the present value of the excess of the accrued benefits over the vested benefits included in 6(d).

**7.** Show all employer and employee contributions for the plan year, and employer contributions made not later than 2½ months (or such later date allowed under section 412(c)(10) of the Code and section 302(c)(10) of ERISA) after the end of the plan year.

**8(a).** If the aggregate cost or frozen initial liability method is used, enter "N/A".

**8(b).** Enter the value of assets determined in accordance with section 412(c)(2) of the Code or 302(c)(2) of ERISA.

**8(c)(i).** If the aggregate cost or frozen initial liability method is used, enter "N/A".

**8(c)(ii).** For the methods to be used to determine the shortfall gain (loss) see the regulations under section 412 of the Code.

**8(d).** Insert amount from item 9(m). However, if the alternative method is elected, and item 10(g) is smaller than item 9(m), enter the amount from item 10(g). File Form 5330 with the IRS to pay 5% excise tax on the funding deficiency.

## Statement by Enrolled Actuary

In lieu of signing Schedule B (Form 5500) an enrolled actuary may attach a signed statement containing the name, address, enrollment number, telephone number and the actuary's opinion that the assumptions used in preparing Schedule B are in the aggregate reasonably related to the experience of the plan and to reasonable expectations, and represent his or her best estimate of anticipated experience under the plan and to the best of his or her knowledge the report is complete and accurate. In addition, the actuary may offer any other comments related to the information contained in Schedule B.

**9.** Under the shortfall method of funding, the Normal Cost in the funding standard account, is the charge per unit of production (or per unit of service) multiplied by the actual number of units of production (or units of service) which occurred during the plan year. Each amortization installment in the funding standard account is similarly calculated. For a plan maintained by more than one employer, the amortization of the shortfall gain (loss) and the actuarial gain (loss) may be deferred. See regulations under section 412 of the Code.

**9(b).** If no valuation was made for the current year, enter the normal cost calculated in the most recent actuarial valuation, or the estimated cost for the current year based on such valuation. If amounts are not as of the date of the most recent actuarial valuation, indicate in the Statement of Actuarial Assumptions how the amounts shown were determined.

**10(a).** If the entry age normal cost method was not used to determine the entries in item 9, the alternative minimum funding standard account may not be used.

**10(c).** The value of accrued benefits should exclude benefits accrued for the current plan year. The market value of assets should be reduced by the amount of any contributions for the current plan year.

**11.** Enter only the primary method used. If the plan uses one actuarial cost method in one year as the basis of establishing an accrued liability for use under the frozen initial liability method in subsequent years, answer as if the frozen initial liability method were used in all years.

**12.** Complete all blanks. Enter "N/A" if not applicable. If the assumptions, listed under columns A and B differ, explain, in an attached Statement of Actuarial Assumptions, the reasons for the differences.

If unisex tables are used enter the values in both the male and female columns.

**12(a).** Check "Yes" if rates in contract were used (e.g. purchase rates at retirement).

**12(b).** Enter Code as follows:

| Table | Code |
|---|---|
| 1937 Standard Annuity | 1 |
| a–1949 Table | 2 |
| Progressive Annuity Table | 3 |
| 1951 Group Annuity | 4 |
| 1971 Group Annuity Mortality | 5 |
| 1971 Individual Annuity Mortality | 6 |
| UP–1984 | 7 |
| Other | 8 |
| None | 9 |

Where an indicated table consists of separate tables for males and females, add F to the female table (e.g., 4F). When a projection is used with a table, follow the code with "P" and the year of projection (omit year if projection unrelated to a single calendar year); the identity of the projection scale should be omitted. When an age set-back or set-forward is used, indicate with "−" or "+" and the years. For example, if for females the 1951 Group Annuity Table with Projection C to 1971 is used with a 5-year set-back, enter "4P71−5." If the table is not one of those listed, enter "8" with no further notation. If the valuation assumes a maturity value to provide the post-retirement income without separately identifying the mortality, interest and expense elements, under "post-retirement" enter on 12(b) the value of $1.00 of monthly pension beginning at the age shown on 12(d) assuming the normal form of annuity for an unmarried person; in this case enter "N/A" on 12(c) and 12(e).

**12(c).** Enter assumption as to expected interest rate (investment return). If the assumed rate varies with the year, enter the weighted average of the assumed rate for 20 years following the valuation date.

**12(d).** If each participant is assumed to retire at his normal retirement age, enter "NRA"; otherwise enter the assumed retirement age. If the valuation uses rates of retirement at various ages, enter the estimated average whole age at which participants are assumed to retire.

**12(e).** If there is no expense loading, enter 0. If there is a single expense loading not separately identified as pre-retirement or post-retirement, enter it under pre-retirement and enter "N/A" under post-retirement. Where expenses are assumed other than as a percent of plan costs or liabilities, enter the assumed expense as a percent of the calculated normal cost.

**12(f).** Enter rates to nearest 0.1%. If select and ultimate rates which vary with both age and years of service are used, enter rates for a new participant at the age shown and enter "S" before the rate.

**12(g).** Enter salary ratio for the age indicated to the nearest 1%.

**12(h).** Attach a statement of actuarial assumptions used (if not fully described by item 12), actuarial methods used to calculate (i) the figures shown in items 6, 8, 9, 10 (if not fully described by item 11) and (ii) the value of assets shown on line 8(b). The statement is to include a summary of the principal eligibility and benefit provisions upon which the valuation was based, an identification of benefits not included in the calculation, and other facts, such as any change in actuarial assumptions or cost methods and justifications for any such change. Include also such other information, if any, needed to fully and fairly disclose the actuarial position of the plan.



U.S. GOVERNMENT PRINTING OFFICE : 1978—O 263-518

263-518-1

**SCHEDULE B (Form 5500)**
Department of the Treasury
Internal Revenue Service
Department of Labor
Pension and Welfare Benefit Programs
Pension Benefit Guaranty Corporation

# Actuarial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974, referred to as ERISA, and section 6059(a) of the Internal Revenue Code, referred to as the Code.

▶ **Attach to Forms 5500, 5500–C and 5500–K if applicable.**

**1978**

**This Form is Open to Public Inspection**

For plan year beginning January 1, 1978 and ending December 31, 19 78

▶ **Please complete every applicable item on this form. If an item does not apply, enter "N/A."**
▶ **Round off amounts to nearest dollar.**

Name of plan sponsor as shown on line 1(a) of Form 5500, 5500–C or 5500–K: XYZ Corporation
**Employer identification number:** 12 3456789

Name of plan: XYZ Corporation Pension Plan A
Enter three digit plan number ▶ 0 0 1

| | Yes | No |
|---|---|---|
| 1 Has a waiver of a funding deficiency for the current plan year been approved by the IRS? If "Yes," attach a copy of the IRS approval letter. | | X |
| 2 Is a waived funding deficiency of a prior plan year being amortized in the current year? | | X |
| 3 Have any of the periods of amortization for charges described in section 412(b)(2)(B) of the Code been extended by DOL? If "Yes," attach a copy of the DOL approval letter. | | X |
| 4 (a) Has the shortfall funding method been used? | | X |
| (b) (i) If (a) is "Yes," has the deferral of the amortization of the shortfall gain (loss), beyond the plan year following the year in which the shortfall gain (loss) arose, been elected? | | X |
| (ii) If (a) is "Yes," has the deferral of the amortization of the actuarial gain (loss), beyond the first plan year after valuation, been elected? | | X |
| 5 Has a change in funding method for the current plan year been made? If "Yes," attach a copy of the IRS approval letter. | | X |

6 Operational information:

(a) Enter most recent actuarial valuation date ▶ January 1, 1978

| | |
|---|---|
| (b) Enter date(s) and amount of contributions received this plan year for prior plan years and not previously reported: Date(s) ▶ ........, Amount ▶ | None |
| (c) Current value of the assets accumulated in the plan as of the beginning of the plan year | 500,000 |
| (d) Present value of vested benefits as of the beginning of plan year:[1] | |
| (i) For retired participants and beneficiaries receiving payments | 265,109 |
| (ii) For other participants | 388,798 |
| (iii) Total | 653,907 |
| (e) Present value of nonvested accrued benefits as of beginning of plan year[1] | 15,766 |
| (f) Number of persons covered (included in the most recent actuarial valuation): | |
| (i) Active participants | 115 |
| (ii) Terminated participants with vested benefits | 3 |
| (iii) Retired participants and beneficiaries of deceased participants | 7 |

7 Contributions made to the plan for the plan year by employer(s) and employees:

| (a) Month | Year | (b) Amount paid by employer | (c) Amount paid by employees | (a) Month | Year | (b) Amount paid by employer | (c) Amount paid by employees |
|---|---|---|---|---|---|---|---|
| 6 | 79 | 72,000 | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | Total | | 72,000 | None |

| | |
|---|---|
| 8 Funding standard account and other information: | |
| (a) Accrued liabilities as determined for funding standard account as of (enter date) ▶ | N/A |
| (b) Value of assets as determined for funding standard account as of (enter date) ▶ January 1, 1978 | 500,000 |

**Statement by Enrolled Actuary (see instructions before signing):**

To the best of my knowledge, the information supplied in this schedule and on the accompanying statement, if any, is complete and accurate, and in my opinion the assumptions used in the aggregate (a) are reasonably related to the experience of the plan and to reasonable expectations, and (b) represent my best estimate of anticipated experience under the plan.

| | |
|---|---|
| ........ Signature of actuary | 24 May, 1979 Date |
| Gregg L. Skalinder Print or type name of actuary | 214 Enrollment number |
| 2 N. Riverside Plaza, Chicago, IL 60606 Address | 312/648-7425 Telephone number (including area code) |

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| | |
|---|---|
| **8** Funding standard account and other information *(continued)*: | |
| (c) *(i)* Actuarial gains or (losses) for period ending ▶ | N/A |
| *(ii)* Shortfall gains or (losses) for period ending ▶ | N/A |
| (d) Accumulated funding deficiency at end of plan year (amount of contribution certified by the actuary as necessary to reduce the funding deficiency to zero), from 9(m) or 10(g) | 0 |
| **9** Funding standard account statement for plan year ending ▶ December 31, 1978 | |
| **Charges to funding standard account:** | |
| (a) Prior year funding deficiency, if any | 0 |
| (b) Employer's normal cost for plan year | 38,692 |
| (c) Amortization charges (outstanding balance at beginning of plan year ▶ $273,106) | 19,346 |
| (d) Interest on (a), (b) and (c) | 4,063 |
| (e) Total charge, sum of (a) through (d) | 62,101 |
| **Credits to funding standard account:** | |
| (f) Prior year credit balance, if any | 15,804 |
| (g) *(i)* Employer contributions (total from column (b) of item 7) | 72,000 |
| *(ii)* Employer contributions received this plan year for prior plan years and not previously reported | 0 |
| (h) Amortization credits (outstanding balance at beginning of plan year ▶ $ 0 ) | 0 |
| (i) Interest on (f), (g) and (h) | 1,106 |
| (j) Other (specify) ▶ | 0 |
| (k) Total credits, sum of (f) through (j) | 88,910 |
| **Balance:** | |
| (l) Credit balance, excess, if any, of (k) over (e) | 26,809 |
| (m) Funding deficiency, excess, if any, of (e) over (k) | 0 |
| **10** Alternative minimum funding standard account (omit if not used): | |
| (a) Was the entry age normal cost method used to determine entries in item 9 above? ☐ Yes ☒ No | |
| *If "No," omit (b) through (g) below.* | |
| (b) Normal cost | |
| (c) Excess, if any, of value of accrued benefits over market value of assets | |
| (d) Interest on (b) and (c) | |
| (e) Employer contributions (total from column (b) of item 7) | |
| (f) Interest on (e) | |
| (g) Funding deficiency, excess, if any, of the sum of (b) through (d) over the sum of (e) and (f) | |

**11** Checklist of actuarial cost methods:

(a) ☐ Attained age normal (b) ☐ Entry age normal (c) ☐ Accrued benefit (unit credit)
(d) ☐ Aggregate (e) ☒ Frozen initial liability (f) ☐ Individual level premium
(g) ☐ Other (specify) ▶

| **12** Checklist of certain actuarial assumptions: | A Used for item 6(d) and (e)—value of accrued benefits | | | B Used for item 8, 9 or 10—funding standard account | | |
|---|---|---|---|---|---|---|
| | Pre-retirement | | Post-retirement | Pre-retirement | | Post-retirement |
| (a) Rates specified in insurance or annuity contracts | ☐ Yes ☒ No | | ☐ Yes ☒ No | ☐ Yes ☒ No | | ☐ Yes ☒ No |
| (b) Mortality table code: | | | | | | |
| *(i)* Males | 4-1 | | 4-1 | 4-1 | | 4-1 |
| *(ii)* Females | 4-6 | | 4-6 | 4-6 | | 4-6 |
| (c) Interest rate | 8.04 % | | 8.04 % | 7 % | | 7 % |
| (d) Retirement age | 65 | | | 65 | | |
| (e) Expense loading | 0 % | | 0 % | 0 % | | 0 % |
| (f) Annual withdrawal rate: | Male | Female | | Male | Female | |
| *(i)* Age 25 | 11.5 % | 29.0 % | | 7.2 % | 18.1 % | |
| *(ii)* Age 40 | 3.5 % | 9.6 % | | 2.2 % | 6.0 % | |
| *(iii)* Age 55 | 1.0 % | 2.9 % | | .6 % | 1.8 % | |
| (g) *Ratio of salary at normal retirement to salary at:* | | | | | | |
| *(i)* Age 25 | | | | 1025 % | 670 % | |
| *(ii)* Age 40 | | | | 355 % | 323 % | |
| *(iii)* Age 55 | | | | 155 % | 155 % | |

(h) Is a statement of actuarial assumptions attached? ☒ Yes ☐ No

[1] Provide these figures for 1978 plan year, if calculated. Beginning with the 1979 plan year disclosure of these figures is mandatory for all plans filing a Schedule B with 100 or more participants.

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XYZ CORPORATION PENSION PLAN A

Assumptions, Methods and Plan Summary

1. Active employee data
The valuation is based on active employee data submitted by XYZ Corporation as of January 1, 1978.

Data was submitted on 459 employees with assumed pension compensation (earnings rate exclusive of bonus as of January 1, 1978) of $8,127,345. Of this number, 191 are vested as of the valuation date.

Effective June 1, 1978, salaried employees of the UVW Division were included in the plan. Data as of that date was submitted by XYZ Corporation on 23 employees with assumed pension compensation of $370,671. Of this number, 5 are vested as of June 1, 1978.

2. Retired and Deferred Vested Data
The retired and deferred vested data was submitted by XYZ Corporation as of January 1, 1978.

3. Actuarial Assumptions
The actuarial assumptions for the January 1, 1978 valuation are the same as those used for the January 1, 1977 valuation. The assumptions are summarized below.

Mortality According to the Group Annuity Table for 1951 (Males) with ages set back one year for males and six years for females. This assumption conservatively represents the mortality expected to be experienced in the next several years, but does not allow for future reduction in mortality rates.

Interest At 7% compounded annually, net of expenses.

Retirement Age At age 65, or attained age if later.

Terminations Termination rates at sample ages are shown below:

| | Annual Termination Rate | |
|---|---|---|
| Age | Males | Females |
| 17 | 10.0% | 25.0% |
| 22 | 8.8 | 22.0 |
| 27 | 6.2 | 15.5 |
| 32 | 4.4 | 10.7 |
| 37 | 2.9 | 7.4 |
| 42 | 1.8 | 5.0 |
| 47 | 1.2 | 3.4 |
| 52 | .9 | 1.9 |
| 57 | .4 | .8 |
| 62 | .0 | .0 |

Salary Increases According to a scale which projects annual salary increases by age as follows:

| Age | Annual Salary Increases Males | Females |
|---|---|---|
| -29 | 8% | 5% |
| 30-39 | 7 | 5 |
| 40-49 | 6 | 5 |
| 50+ | 5 | 5 |

Expenses None. It is assumed that trustee, legal and actuarial fees, federal pension insurance and administrative costs will be paid by the employer as they are incurred.

Disability For active employees, according to UAW-1955 rates. Mortality among disability pensioners according to the Group Annuity Table for 1951 (Males), with ages set forward depending on the number of years since disability as follows:

| Years Since Disability | Age Set Forward |
|---|---|
| 0 | 9 |
| 1 | 8 |
| 2 | 8 |
| 3 | 7 |
| 4 | 7 |
| 5 or more | 6 |

Option Factors Assumed to be actuarial equivalent factors.

. Asset Valuation

Based on assets as reported by XYZ Corporation. The January 1, 1978 value is determined under a 3-year averaging method. In future years, this value will be phased into a 5-year moving average method as described below. The earliest date all 5 years can be taken into account is January 1, 1980.

Fixed Income Fixed income securities are valued at market as of December 31.

Equities In order to smooth fluctuations in pension costs due to fluctuations in the market, an adjusted market value is calculated. The adjustment results in recognizing equity appreciation (or depreciation) at the rate of 20% per year, whether the appreciation is realized or unrealized. The adjusted market value is based on a 5-year moving average. If there were never any changes in equity securities held by the fund, the 5-year moving average would be one fifth of the sum of the market values as of December 31 of the current year and each of the four preceding years. However, an adjustment must be made for equity security purchases and sales.

The adjustment for purchases and sales is to add to the market value on December 31 of each of the four preceding years, the net equity purchases between these dates and December 31 of the current year. These four market values (adjusted for net purchases) are then averaged with the market value at December 31.

Averaged Equity
Asset Value = 1/5 (M,0) + 1/5 (M,1 + P,1) + 1/5 (M,2 + P,2)
+ 1/5 (M,3 + P,3) + 1/5 (M,4 + P,4)

M,0 = Market at December 31 of current year
M,1 = Market at December 31 one year ago, etc.

P,1 = Net equity purchases between December 31 one year ago and December 31 of current year
P,2 = Net equity purchases between December 31 two years ago and December 31 of current year, etc.

For example, the equity value used for December 31, 1979, will be:

1/5 (market 12/31/79)
\+ 1/5 (market 12/31/78 + net equity purchases 12/31/78-12/31/79)
\+ 1/5 (market 12/31/77 + net equity purchases 12/31/77-12/31/79)
\+ 1/5 (market 12/31/76 + net equity purchases 12/31/76-12/31/79)
\+ 1/5 (market 12/31/75 + net equity purchases 12/31/75-12/31/79)

The averaging method described above is used to determine valuation assets for the XYZ Corporation Master Pension Trust (which holds the assets for several plans of XYZ Corporation). The valuation assets as of January 1, 1978 for this plan are determined by updating the January 1, 1977 valuation assets at the rate of return required to produce total January 1, 1978 valuation assets for the master trust.

5. Liability Adjustment

The assumed actuarial valuation interest rate of 7% is used to discount the actuarial liabilities of the plan. This is the assumed rate at which funds available for investment in the future will be invested.

An adjustment is made because the assets of the trust at December 31, 1977 could be invested entirely in fixed income investments at a different yield. The yield on these investments is assumed to be the yield available on Moody's Aaa Industrials. Further, it is assumed that such fixed income investments could be made in a portfolio equivalent to a mortgage or similar investment with level payments (of principal and interest combined) over 20 years.

The present value of benefits is adjusted by an amount which is mathematically equivalent to assuming interest at Moody's Aaa Industrial yield on the present value of benefits to the extent it is assumed that the assets could be invested at the Aaa yield. This adjustment is to reduce the present value of the benefits by the premium at which a 20-year annual payment mortga at 8.04% (which was the Moody's Aaa yield as of December 31) would sell in order to yield a 7% interest rate. This adjustment is 8.2238% of the market value of the assets as of December 31, 1977.

This procedure is the mathematical equivalent of assuming the market value of the assets at December 31, 1977, is invested in a 20-year mortgage yielding 8.04%, and finding, at the assumed 7% interest rate, the present value of the future principal and interest payments on such a mortgage.

The liability adjustment for the plan is $6,896,267 x .082238 = $567,135. This is subtracted from the present value of benefits.

6. Valuation Method
The valuation method with respect to age retirement and vesting benefits is the entry age normal cost method with frozen initial past service liability.

The unfunded past service liability as of January 1, 1978, is determined by subtracting from the unfunded past service liability as of January 1, 1977, plus interest thereon to January 1, 1978, the excess of contributions made with respect to 1977 plus interest thereon to January 1, 1978, over the 1977 normal cost plus interest thereon to January 1, 1978, and adding the increase in past service liability due to plan amendments effective July 1, 1977 plus interest thereon to January 1, 1978.

The 1978 normal cost accrual rate for age retirement and vesting benefits is determined by dividing the excess of the present value of present and prospective benefits for retired and terminated vested employees and active employees (age retirement and vesting) over the sum of the unfunded past service liability as of January 1, 1978, and valuation assets as of January 1, 1978, by the present value of future compensation. The 1978 normal cost for age retirement and vesting benefits is equal to the assumed 1978 compensation of covered employees who have not reached their normal retirement date multiplied by the normal cost accrual rate.

Disability normal costs are determined under the one-year term method. No disability decrements are assumed in determining the values of age retirement and vesting benefits, and the disability normal cost is equal to the present value of a temporary disability annuity to normal retirement date for disabilities expected to be incurred during the year.

7. Present Value of Accrued Benefits
The present value of accrued benefits is based on the assumptions for mortality, retirement age and option factors summarized above. No future salary increases are assumed. Final average compensation is estimated based on historical 5% annual pay increases. Terminations equal to 160% of those shown above are assumed through the vesting age for non-vested active employees. These employees are assumed to be more likely to terminate than the employee group as a whole.

The assumed pre-retirement interest rate is 8.04%, which was the Moody's Aaa Industrial yield on December 31, 1977. This rate is assumed to be available for a 20-year period consistent with Item 5 above.

8. Plan Provisions

Eligibility:

a. Normal retirement - age 65 with 5 years vesting service.
b. Early retirement - age 60 with 10 years vesting service.
c. Disability retirement - 10 years vesting service.
d. Vesting - 10 years vesting service.
e. Pre-retirement survivor - payable to the spouse of a participant who dies while eligible for early retirement. Must be elected by eligible participant.

Amount of Benefits:

a. Normal retirement - .85% of the first $650 of 5-year monthly final average compensation plus 1.4% of any excess for each year of benefit service.
b. Early retirement - accrued benefit reduced by 5/9% per month prior to normal retirement date.
c. Disability retirement - unreduced accrued benefit.
d. Vesting - unreduced accrued benefit payable at age 65 or reduced per early retirement if commenced before age 65.
e. Pre-retirement survivor - 50% of benefit the participant would have received if he had retired on the day before his death with the post retirement survivor option in effect. If this benefit is elected, the subsequent pension will be reduced .7% for each effective year.
f. Post retirement survivor - participant receives the actuarial equivalent of the benefit otherwise payable and a surviving spouse receives 50% of the benefit the participant had been receiving.