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## Pension and Profit Sharing Plans: Final Examination

William & Mary Law School

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PENSION AND PROFIT SHARING PLANS

Final Examination

You are to draw up either a pension or a profit sharing plan and trust instrument and ALL the other documents (including IRS forms) necessary to effectuate and qualify the plan.

Facts: 1. The employer is the ABC Corporation, a small printing plant.

2. Employees:

<u>Name</u>	<u>Age</u>	<u>Yrs. of Service</u>	<u>Pay</u>	<u>Comments</u>
A *	63	30	33,000	
B *	56	30	21,000	
C *	55	30	21,000	
D **	47	20	12,000	
E	51	24	10,000	
F	50	10	9,000	
G	49	14	10,000	
H	48	14	10,000	
I	47	14	10,000	
J	46	12	10,000	
K	35	5	6,000	
L	34	5	6,000	
M	33	2	5,000	
N	32	2	5,000	
O	27	2	5,000	
P	25	1	4,800	
Q	23	1	4,800	
R	22	1/2	4,500	
S *	21	1/4	4,500	
T	21	1/4	4,200	
U-1	18	---	1.75/hr.	] Part-time
U-2	18	---	1.75/hr.	] less than 20 hrs.
U-3	18	---	1.75/hr.	] per week.
V-1	16	---	1.75/hr.	] Summer workers,
V-2	16	---	1.75/hr.	] 2 months
V-3	16	---	1.75/hr.	] per year.

\* Stockholders--officers--full-time employees

\*\* Non-stockholder supervisor

3. The officers (except S, the son of A) started this company 30 years ago and worked hard to build it to where it is. They appreciate hard work and loyalty and want to reward those who have such characteristics, certainly employees with 10 years or more of service. Wives and minor children of such employees should also be protected.
4. The net income of the corporation is around \$30,000 per year and it is steady rather than fluctuating.
5. They rely on you to formulate the proper retirement plan both as to coverage and benefits. Cost of the plan should be limited to what the corporation can afford.  
Note: for purposes of this problem, you, of course, not having any way of determining costs, will have to disregard that factor and simply use a reasonable benefit formula as a guide.
6. Retirement age is 65.
7. The corporation has a very large amount of cash available at the present time. Dividends to the high-earning stockholders would not be practical.