

ASPPA

DC-1: Defined Contribution Administrative Issues – Basic Concepts 2008 Syllabus

Course Overview:

Qualified retirement plans are afforded favorable tax treatment including tax deductible contributions, deferral of taxation to the employee and tax deferred investment earnings on assets. In order to be afforded this special treatment, qualified plans must satisfy certain requirements in the Internal Revenue Code and Treasury Regulations.

This course begins with the basic plan qualification requirements including plan document requirements. The course then explores the different types of qualified plans before delving into specific qualification requirements and concepts including eligibility, participation, highly compensated employees, key employees and top-heavy plans.

Candidates will learn about contributions and allocations, deductibility of contributions, vesting and forfeiture issues. The course also reviews plan amendments, plan terminations and annual reporting requirements (Form 5500 filings).

Finally, candidates will learn about the ASPPA Code of Professional Conduct and be able to identify ethical dilemmas that may be faced by retirement plan professionals.

Study materials:

It is presumed that a candidate sitting for the DC-1 examination will have the knowledge of material covered in the Retirement Plan Fundamentals (RPF) examination series. All required reading material is listed in each topic.

Required Reading:

Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition. Arlington, VA: ASPPA.

Exam:

The corresponding exam will include 65 multiple choice questions for which candidates will have 2½ hours to complete.

Additional Information:

All candidates are encouraged to visit ASPPA's Candidate Corner (www.asppa.org/candidate) for this exam for additional information. It is the candidate's responsibility to check the ASPPA website for the most current information on examinations and publications. The Candidate Corner includes directions for contacting your nearest Prometric site to schedule examinations, exam windows and dates, helpful

studying and exam hints, up-to-date information on regulatory limits and other helpful information. You may also contact ASPPA with questions at educasppa@asppa.org.

DC-1 Webcourse:

ASPPA offers webcourses to assist candidates preparing for examinations. These webcourses are designed to address the most challenging topics covered on corresponding examinations. Online course sessions are approximately 50-60 minutes in length. The number of sessions depends on the course selected — ranging from five to six sessions. It is expected that webcourse registrants preparing for an examination thoroughly study the topics covered in the required reading for the corresponding examination – outlined in this syllabus. The webcourse sessions should not be used as a substitute for these materials. Visit www.asppa.org/webcourses for more information.

Topic 1 – Plan Qualification Requirements

Overview:

Retirement plan professionals are expected to know about plan qualification requirements. Under this topic, candidates will learn the various requirements necessary for plan qualification, the different types of plan documents available to a plan sponsor, the disclosure requirements of an SPD, the consequences of plan disqualification and the availability of the IRS program EPCRS to help plan administrators resolve problems regarding plan qualification issues.

Learning Objectives:

The successful candidate will be able to:

- 1.01 Describe the basic requirements for a plan to be qualified under the Internal Revenue Code.
- 1.02 Distinguish between the different types of plan documents (master plan, prototype, volume submitter, individually designed and trust document).
- 1.03 Describe an SPD, SMM and the disclosure requirements.
- 1.04 State the procedure to submit a plan to the IRS for qualification review.
- 1.05 Identify potential plan disqualification issues and consequences.
- 1.06 State the general principles of the EPCRS program and describe the general characteristics of SCP, VCP and Audit CAP.

Exam Weighting:

This topic will comprise approximately 7 to 9 percent of the exam questions.

Required Reading:

Topic 2 – Types of Plans

Overview:

Retirement plan professionals are expected to know about the different types of qualified plans available to plan sponsors. Under this topic, candidates will learn the differences between defined contribution and defined benefit plans and the various distinguishing characteristics of different types of defined contribution plans.

Learning Objectives:

The successful candidate will be able to:

- 2.01 Describe the differences between defined benefit and defined contribution plans.
- 2.02 Identify the distinguishing characteristics of different types of defined contribution plans.

Exam Weighting:

This topic will comprise approximately 2 to 4 percent of the exam questions.

Required Reading:

Chapter 2: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 3 – Requirements for Eligibility and Participation

Overview:

Retirement plan professionals are expected to know the eligibility requirements applicable to qualified plans and the issues surrounding when an employee can/must become a participant. Under this topic, candidates will learn about plan eligibility requirements, a year of service, plan entry date rules, break-in-service rules and the rule of parity as it applies to eligibility requirements.

Learning Objectives:

The successful candidate will be able to:

- 3.01 Explain the statutory eligibility requirements for qualified plans.

- 3.02 Describe a year of service for eligibility purposes and determine which service must be included in the determination.
- 3.03 Determine a participant's plan entry date.
- 3.04 Define break in service and identify how breaks in service affect eligibility determination.
- 3.05 Describe the operation of the three different break-in-service rules.
- 3.06 Determine the effect of a change in a plan's eligibility requirements on current participants.

Exam Weighting:

This topic will comprise approximately 10 to 12 percent of the exam questions.

Required Reading:

Chapter 3: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 4 – Highly Compensated Employees

Overview:

Retirement plan professionals are expected to know how to determine highly compensated employees and why that determination is crucial to maintaining a plan's qualified status. Under this topic, candidates will learn how to determine highly compensated employees including advanced methodologies like the top-paid group election and calendar year data election.

Learning Objectives:

The successful candidate will be able to:

- 4.01 Describe the five-percent owner test and the compensation test as related to the determination of HCEs.
- 4.02 Describe family attribution as related to the determination of HCEs.
- 4.03 Describe the calendar year data election as related to the determination of HCEs.
- 4.04 Describe the top-paid group election as related to the determination of HCEs.
- 4.05 Calculate the number of employees included in the top-paid group.
- 4.06 Determine an individual's HCE status under IRC §414(q).

Exam Weighting:

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading:

Chapter 4: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 5 – Key Employees and Top-Heavy Plans

Overview:

Retirement plan professionals need to know about top-heavy requirements including the determination of key employees and the plan qualification issues associated with top-heavy. Under this topic, candidates will learn how to identify key employees, how to determine the top-heavy ratio and the additional requirements for top-heavy plans.

Learning Objectives:

The successful candidate will be able to:

- 5.01 Determine whether an individual is a key employee, former key employee or a non-key employee.
- 5.02 Identify the components of the top-heavy ratio.
- 5.03 Calculate the top-heavy ratio.
- 5.04 Determine when plans may be and when they must be aggregated to determine top-heavy status.
- 5.05 Identify the allocation conditions necessary to receive a top-heavy minimum contribution.
- 5.06 Identify the contributions that are used to determine the key employee's highest contribution rate.
- 5.07 Identify the employer contributions that may be used to satisfy the top-heavy minimum contribution.
- 5.08 Calculate the amount of the required top-heavy minimum contribution.

Exam Weighting:

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading:

Chapter 5: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 6 – Requirements for Coverage

Overview:

Retirement plan professionals are expected to understand coverage requirements as they pertain to maintaining a plan's qualified status. Under this topic, candidates will learn about the two tests used to meet coverage requirements, with an emphasis on the ratio percentage test, and how to correct coverage failures in a plan.

Learning Objectives:

The successful candidate will be able to:

- 6.01 Describe the two tests that may be used to demonstrate that a plan satisfies the minimum coverage requirements under IRC §410(b).
- 6.02 Determine who is included in the coverage testing group.
- 6.03 Determine who is included in the benefiting group.
- 6.04 Describe how certain conditions placed on allocations affect coverage testing.
- 6.05 Perform the ratio percentage test.
- 6.06 State three situations in which a plan is deemed to pass the coverage test.
- 6.07 Describe the options for correcting an IRC §410(b) coverage failure.

Exam Weighting:

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading:

Chapter 6: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 7 – Defined Contribution Plans: Contributions and Allocations

Overview:

Retirement plan professionals need to know how much a participant can receive as an allocation during the plan year, conditions that may be placed on such allocations and how those allocations are made to the plan. Under this topic, candidates will learn about allocation methods, the compensation used to allocate contributions, when that compensation may be subject to additional nondiscrimination testing and annual addition limits and corrections.

Learning Objectives:

The successful candidate will be able to:

- 7.01 Describe the various conditions that may be imposed on a participant to receive an allocation.
- 7.02 Describe allowable contribution allocation methods.
- 7.03 Perform a pro rata contribution allocation.
- 7.04 Describe the annual addition limit under IRC §415 and determine if the annual addition limits have been satisfied.
- 7.05 Describe the consequences of exceeding the annual additions limit and identify applicable correction methods.
- 7.06 State the basic differences between compensation as defined under IRC §§415 and 414(s) and identify which definition of compensation must be used for various qualified plan purposes.
- 7.07 Identify scenarios in which a plan's definition of compensation for allocation purposes may be subject to nondiscrimination testing.

Exam Weighting:

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading:

Chapter 7: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 8 – Deductions

Overview:

Retirement plan professionals are expected to understand when an employer's contribution is deductible along with the amounts of any required contributions for a plan year. Under this topic, candidates will learn about the maximum deduction limits for qualified plans, the compensation used to determine deductibility and what to do about a nondeductible contribution.

Learning Objectives:

The successful candidate will be able to:

- 8.01 Calculate the maximum deduction limit for all types of defined contribution plans.
- 8.02 Define the compensation used and the computation period for determining the deduction limit under IRC §404.
- 8.03 Determine the deduction limits as they apply to overlapping plans.
- 8.04 Identify the contribution deadlines applicable to different types of employer entities.

- 8.05 Determine the impact of short plan years and short tax years on deduction limits.
- 8.06 Determine the amount of a nondeductible contribution, calculate the related excise tax and describe the treatment of nondeductible contributions in subsequent years.

Exam Weighting:

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading:

Chapter 8: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 9 – Requirements for Vesting

Overview:

Retirement plan professionals are expected to know the vesting and forfeiture rules applicable to qualified plans. Under this topic, candidates will learn about how vesting works, including break-in-service and forfeiture rules.

Learning Objectives:

The successful candidate will be able to:

- 9.01 Define how vesting works and determine a participant's vesting percentage.
- 9.02 List the statutory minimum vesting schedules.
- 9.03 Identify the conditions under which a participant must become fully vested.
- 9.04 Calculate years of service for vesting purposes.
- 9.05 Define break in service as it relates to vesting, identify how breaks in service affect vesting computations and identify periods of service that can be disregarded for vesting.
- 9.06 Determine a participant's vested percentage in a top-heavy plan.
- 9.07 Determine a participant's forfeiture amount, when it is deemed to occur and allowable forfeiture allocation methods.
- 9.08 Explain the effects of vesting amendments made to a plan and determine a participant's vested percentage after a change is made.

Exam Weighting:

This topic will comprise approximately 14 to 16 percent of the exam questions.

Required Reading:

Topic 10 – Plan Amendments and Terminations

Overview:

Retirement plan professionals will encounter plan amendments and plan terminations. Under this topic, candidates will learn about plan amendments, changes that necessitate an ERISA §204(h) notice, plan terminations and anti-cutback rules.

Learning Objectives:

The successful candidate will be able to:

- 10.01 Define a plan amendment and describe the amendment process including the concept of nondiscriminatory and corrective amendments.
- 10.02 Know when an SMM is required and the timing requirements.
- 10.03 Define the remedial amendment period.
- 10.04 Describe the purpose and contents of the ERISA §204(h) notice and explain to whom and under what conditions it should be distributed.
- 10.05 Describe the process for terminating a defined contribution plan including the forms/procedures for securing a determination letter.
- 10.06 Identify what benefits are protected by the anti-cutback rules.

Exam Weighting:

This topic will comprise approximately 5 to 7 percent of the exam questions.

Required Reading:

Chapter 10: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 11 – Annual Reporting Requirements

Overview:

Retirement plan professionals are expected to know the rules regarding Form 5500 annual reporting requirements. Under this topic, candidates will learn about the Form 5500 and be able to determine which Form and accompanying schedules must be filed. In addition, candidates will learn about the filing deadlines, the small plan audit waiver and the penalties for failure to comply with the reporting requirements. Finally, the candidate will review the basics of SAS70 reporting.

Learning Objectives:

The successful candidate will be able to:

- 11.01 Contrast the filing requirements of large plan filers and small plan filers.
- 11.02 Describe the filing requirements for the various 5500s.
- 11.03 Identify the various schedules that are required to be filed with Form 5500.
- 11.04 Describe the small plan audit waiver, the requirements for additional disclosure to participants and additional bonding that may be required.
- 11.05 Explain the fidelity bond requirement and how the bond amount is calculated.
- 11.06 Describe the filing deadlines for the Form 5500 series and how those deadlines are modified by a short plan year or a plan termination.
- 11.07 Describe the penalties for not meeting Form 5500 filing requirements for 5500 filers and for 5500-EZ filers.
- 11.08 Discuss the purpose of a SAS 70 report for a service organization.
- 11.09 Differentiate between a Type 1 and Type 2 SAS 70 report.

Exam Weighting:

This topic will comprise approximately 9 to 11 percent of the exam questions.

Required Reading:

Chapter 11: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.

Topic 12 – ASPPA Code of Professional Conduct

Overview:

Retirement plan professionals have certain ethical duties owed to the plan sponsor and to the participants of the qualified plan. Under this topic, candidates will learn about the ASPPA Code of Professional Conduct.

Learning Objectives:

The successful candidate will be able to:

- 12.01 Demonstrate awareness of the provisions of the ASPPA Code of Professional Conduct.

Exam Weighting:

This topic will comprise approximately 1 to 2 percent of the exam questions.

Required Reading:

Chapter 12: *The ASPPA Defined Contribution Plan Series Volume I: Plan Qualification and Compliance Basics, 2nd Edition*. Arlington, VA: ASPPA.