



## 2010 TGPC-1: Tax-Exempt & Governmental Plan Administration Examination Version 1

**Examination Completion Deadline: December 15, 2010 {midnight ET}**

Examinations must be completed online ([www.asppa.org](http://www.asppa.org)). TGPC-1 examination requires a \$170 registration fee that includes instant scoring and feedback. **The deadline for completing the TGPC-1 examination is midnight Eastern Time on December 15, 2010.** ASPPA registration fees are nonrefundable.

1. Register online at [www.asppa.org/tgpc1](http://www.asppa.org/tgpc1) for the TGPC-1 online examination. Provide credit card information to pay for the exam and instant scoring.
2. Be sure to select the applicable exam version (TGPC-1 version 1 or version 2). You may choose either one. They are equivalent exams.
3. Once registered, you will be able to access your online exam by clicking on Access Exams and Quizzes link ([www.asppa.org/access-exams-and-quizzes](http://www.asppa.org/access-exams-and-quizzes)) on the right hand side of the Education & Examination page of the ASPPA Web site.
4. The exam is open book.
5. There is no time requirement for completing the exam other than the submission deadline discussed above. You may complete a portion of the exam, log out, and return to the exam at another time to complete it; any answers you've entered will be saved. To resume the exam, simply log back into your account, access the examination and choose the "Review Unanswered Questions" option.
6. **There may be updates to the 2010 exam or text.** It is advised that you visit and review the errata postings at [www.asppa.org/errata](http://www.asppa.org/errata) **before beginning your exam and before submitting your examination.** Also, common abbreviations, Internal Revenue Code definitions and a 3-Year COLA summary are also available on the errata posting page. Please review before beginning and submitting your examination.
7. Upon completion and submission of the exam, you will receive a score and test result report online. You will also be provided with a link to complete a survey. Please take a moment to complete this short survey after printing your score and test results.
8. **A score of 64 or more out of 75 indicates the successful completion of the exam.**
9. Your test results will appear on the 'Summary' page. Print this page for your records.
10. You may review the questions and your responses by selecting the 'See Test Results' option. It is **strongly recommended** that you print the results for your records. ASPPA will NOT be able to provide this summary at a later date.
11. After successful completion of the examination, you will be automatically issued ASPPA's Tax-Exempt & Governmental Plan Administration Certificate (available online at the conclusion of your exam on the exam Summary page). **Please make sure to print the official certificate to keep for your records or display purposes.**
12. ASPPA's Education & Examination (E&E) Committee appreciates and welcomes candidate comments to continually improve our educational offerings. If a candidate wishes to have a submitted examination/module question, webcourse assessment, practice examination question, or specific content within an ASPPA examination related publication reviewed the candidate should review the ASPPA Examination & Publication Candidate Inquiry Policy available at [www.asppa.org/candidateinquiry](http://www.asppa.org/candidateinquiry).

# 2010 TGPC-1: Tax-Exempt & Governmental Plan Administration Examination Version 1

## TRUE/FALSE

1. The 403(b) final regulations have significantly affected the way public education organizations offer 403(b) plans to their employees.
  - A. True
  - B. False
  
2. Generally, tax-exempt employers may only offer 457(b) plans to a select group of highly compensated or management employees.
  - A. True
  - B. False
  
3. The final 403(b) regulations require tax-exempt employers sponsoring non-ERISA 403(b) plans to approve and administer loans in their plans.
  - A. True
  - B. False
  
4. Form 1099-R is issued to participants who take distributions from governmental 457(b) plans.
  - A. True
  - B. False

5. Governmental entities may offer 457(b) plans to all employees, independent contractors or to selected individuals performing services for the entity, as determined by the sponsoring entity.
- A. True
  - B. False
6. An organization that files an IRS Form 1023 will receive a Letter of Determination that establishes under which section of the IRC the organization qualifies as a tax-exempt organization.
- A. True
  - B. False
7. Nondiscrimination rules apply to non-electing IRC §3121(w)(3)(A)(B) church plans.
- A. True
  - B. False

## MULTIPLE CHOICE

8. Which of the following statements regarding 403(b) elective deferral programs is/are **TRUE**?
- I. In 1958, a provision was added to the IRC that made elective deferral 403(b) programs available to IRC §501(c)(3) organizations.
  - II. In 1996, paragraph 7 was added to section 403(b) of the IRC that expanded available investment options from only annuities to mutual funds held in a qualifying custodial arrangement.
  - III. In 1961, the IRC was amended to specifically allow public education institutions to offer elective deferrals 403(b) programs.
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III
9. All of the following provisions are required to be included in a 403(b) plan document, **EXCEPT**:
- A. Eligibility for participation
  - B. Benefits provided under the plan
  - C. Contribution limitations
  - D. 15 years of service catch-up contribution
  - E. Description of investment products offered

10. All of the following statements regarding characteristics of a 457(b) plan sponsored by a tax-exempt organization are **TRUE, EXCEPT:**

- A. Employee eligibility is limited to a group of highly compensated or management employees.
- B. The annual salary deferral limit is increased for participants who are age 50 or older during the tax year.
- C. With limited exceptions, compensation may be deferred for any calendar month only if a salary reduction agreement has been executed before the first day of the month.
- D. A special catch-up contribution is available in the three-year period ending in the year before the participant's normal retirement date.
- E. Contributions may not exceed the lesser of 100% of includible compensation or a maximum dollar limit, as indexed (\$16,500 for 2009).

11. All of the following statements regarding service provider agreements are **TRUE, EXCEPT:**

- A. They include the vendor's statement that all of the compliance activities over which the vendor has control will be performed and guaranteed.
- B. Generally, the agreements do not require that providers assume responsibilities over which they have no control or information.
- C. They include the duties and responsibilities of the vendor and the employer.
- D. They include indemnification and hold harmless language.
- E. The agreements are required only for plans that are established after January 1, 2009.

12. All of the following statements regarding characteristics of both ERISA 403(b) plans and IRC §401(a) plans are **TRUE, EXCEPT**:
- A. The Form 5500 must be filed annually.
  - B. A plan document must be adopted by the plan sponsor.
  - C. An SPD must be distributed to eligible employees.
  - D. Eligibility to make elective deferrals may include a one year waiting period.
  - E. Plan sponsors are required to obtain an ERISA fidelity bond.
13. All of the following describe distributable events that allow a participant to withdraw elective deferrals from a 403(b) plan, **EXCEPT**:
- A. Death
  - B. Participant's assets have been in the plan for at least two years
  - C. Disability
  - D. Severance from employment
  - E. Attainment of age 59½

14. All of the following statements regarding the differences between tax-exempt and governmental 457(b) plans are **TRUE, EXCEPT:**
- A. Governmental 457(b) plans may allow for the annual deferral limit to be increased for employees who are age 50 or older; tax-exempt 457(b) plans cannot use this provision.
  - B. Governmental 457(b) plan assets must be held in a trust (or other approved vehicle); tax-exempt 457(b) plan assets may not be held in a trust.
  - C. Governmental 457(b) plans are held for the exclusive benefit of the participants and beneficiaries; tax-exempt 457(b) plans must be held in the employer's name.
  - D. Governmental 457(b) plans are protected from the employer's general creditors; tax-exempt 457(b) plans are subject to the creditors of the employer.
  - E. Distributions from governmental 457(b) plans may not be rolled over to IRAs; distributions from tax-exempt 457(b) plans may be rolled over to IRAs.

15. Which of the following statements regarding a participant's ability to make elective deferrals to 403(b) plans after termination of employment is/are **TRUE**?

- I. Elective deferrals are permitted on payments that represent unused sick and/or vacation type pay that the employee could have used had employment continued.
- II. Elective deferrals are permitted based on retirement incentive payments and retirement bonuses.
- III. Elective deferrals are permitted on payments that represent amounts that the employee would have received had employment continued, such as back pay and/or bonuses.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

16. All of the following statements regarding contract exchanges and information sharing agreements are **TRUE, EXCEPT**:
- A. Information sharing agreements are used by employers to keep their plans in compliance.
  - B. Information sharing agreements are useful when there are multiple vendors providing various services, such as processing loans, exchanges, or hardship withdrawals.
  - C. Information sharing agreements are not used by ERISA 403(b) plans.
  - D. During the period from September 25, 2007 through December 31, 2008, an exchange could only occur if the receiving vendor either had a payroll slot or executed an information sharing agreement with the employer sponsoring the 403(b) plan.
  - E. Model information sharing agreements have been developed in the industry to help streamline the process.

17. Which of the following 403(b) contribution sources is/are not subject to withdrawal restrictions?
- I. Pre-1989 account values derived from salary reduction contributions to a 403(b)(7) custodial account
  - II. Pre-1989 account values derived from salary reduction contributions to a 403(b)(1) annuity contract
  - III. Account values derived from employer contributions as of January 1, 2009 to a 403(b)(1) annuity contract
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III
18. All of the following statements regarding characteristics of a governmental 457(b) plan are **TRUE, EXCEPT:**
- A. Governmental entities may offer participation to all employees or to selected individuals, as determined by the sponsoring employer.
  - B. The annual elective deferral limit may be increased for participants who are age 50 or older during the tax year.
  - C. With limited exceptions, compensation may be deferred for any calendar month only if a salary reduction agreement has been executed before the first day of the month.
  - D. A special catch-up deferral provision is available in the three-year period ending in the year before the participant's normal retirement date.
  - E. Distributions can be paid when the participant reaches age 59½.

19. All of the following statements regarding the written employee notice for 403(b) plans are **TRUE, EXCEPT**:
- A. The written notice requirement may not be satisfied through a payroll staffer.
  - B. The employer must provide an annual written notice to employees informing them of their eligibility to participate in the 403(b) plan.
  - C. The employer must provide a meaningful opportunity for each employee to participate.
  - D. E-mail is an acceptable means of distributing the notice if it meets certain specifications.
  - E. The employer must comply with the notice requirements in order to satisfy nondiscrimination rules.
20. All of the following statements regarding taxation of distributions are **TRUE, EXCEPT?**
- A. Governmental 457(b) distributions are not subject to the 10% tax.
  - B. Rollovers from 403(b) plans into 457(b) governmental plans are not subject to the 10% tax upon future distributions.
  - C. Governmental 457(b) distributions that are rolled into IRAs may be subject to the 10% tax upon future distributions.
  - D. Taxable distributions from 403(b) plans are subject to the 10% tax, unless an exception applies.
  - E. Taxable distributions from 401(k) plans are subject to the 10% tax, unless an exception applies.

21. All of the following describe optional plan features that a plan sponsor may choose to include in a 403(b) plan document, **EXCEPT**:

- A. Designated Roth contributions
- B. In-service withdrawal options
- C. Distribution options
- D. Catch-up contributions
- E. Participant loans

22. All of the following statements regarding participant vesting in ERISA 403(b) plans are **TRUE, EXCEPT**:

- A. Participants must be fully vested upon attaining normal retirement age.
- B. A plan that provides for 100% immediate vesting may impose a 3 year eligibility period.
- C. A plan may disregard certain service such as service performed before an employee was 18.
- D. A plan may adopt a graded vesting schedule or a cliff vesting schedule.
- E. A plan may always adopt a more liberal vesting schedule than is required under ERISA.

23. Which of the following statements regarding RMD requirements from 403(b) plans is/are **TRUE**?

- I. Generally, RMDs must commence no later than April 1 of the year following the later of attaining age 70 or the date the participant severs service.
- II. RMD calculations must be based on the Uniform Distribution Table unless the participant's sole beneficiary is a spouse who is more than ten years younger.
- III. When the 12/31/86 account value has been separately tracked, the required beginning date for this separately tracked account is the later of the date the participant severs service or attains age 75.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

24. All of the following statements regarding the flexibility and methods used by ERISA-exempt employers in making employer contributions to 403(b) plans are **TRUE**, **EXCEPT**:

- A. Employer contributions can be made to specific employees as these plans are not subject to nondiscrimination rules.
- B. A school district may make contributions on behalf of the superintendent to recruit and retain that key individual.
- C. Employer contributions may be used to recruit teachers in areas where there are shortages.
- D. A school district may make employer contributions to specific employees, regardless of the language in the collective bargaining agreements.
- E. A school district may allocate employer contributions to terminating employees in lieu of unused sick or vacation pay.

25. Based on the following information, which of the following statements regarding contribution deadlines in an ERISA 403(b) plan is/are **TRUE**?

- The 403(b) plan has a December 31 plan year end.
- The plan sponsor has a December 31 fiscal year end.
- The current plan year is 2009.
- The organization has just processed the March 15, 2009 payroll, including elective deferrals.
- The 403(b) plan offers both employer matching and employer discretionary contributions.

- I. Elective deferrals must be deposited as soon as administratively feasible, but not later than on or before April 15, 2009.
- II. Employer discretionary contributions must be deposited no later than on or before November 15, 2010.
- III. Employer matching contributions must be deposited no later than on or before October 15, 2010.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

26. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following actions taken by a member would be acceptable, **EXCEPT:**
- A. Keeps up to date with current IRC changes and abides by these regulations
  - B. Performs professional services involving a potential conflict of interest without the express agreement of all principals
  - C. Renders advice or performs professional services only when qualified to do so
  - D. Makes timely and complete disclosure of all sources of compensation or other material consideration received as it relates to a client's services
  - E. Does not disclose confidential information unless authorized to do so by the client or by a court order
27. All of the following statements regarding transfers and 457(b) plans are **TRUE**, **EXCEPT:**
- A. Transfers between two tax-exempt 457(b) plans are permitted.
  - B. Transfers between a tax-exempt and a governmental 457(b) plan are not permitted.
  - C. Transfers between two governmental 457(b) plans are permitted.
  - D. Prior to severance from service, a participant in a governmental 457(b) plan may transfer a portion of assets to another 457(b) plan sponsored by the employer.
  - E. After severance from service, a participant may transfer a governmental 457(b) account into the 457(b) plan of the current governmental employer.

28. All of the following must be bonded when working with an ERISA 403(b) plan, **EXCEPT:**
- A. Plan fiduciary
  - B. Financial advisor who is not a fiduciary and does not handle plan assets
  - C. Payroll supervisor who works for the plan sponsor and signs the contribution checks
  - D. Named trustee
  - E. Individuals that work for the plan sponsor and do not have discretionary authority but handle plan assets
29. All of the following are distributable events in a 403(b) plan, **EXCEPT:**
- A. Plan termination
  - B. Death
  - C. Participant's hours worked are reduced by 25% or more
  - D. Disability
  - E. Qualifying hardship distribution

30. Which of the following statements is/are regarded specifically as tax-free transfers in 403(b) plans?

- I. Transfer of a 403(b) account to purchase years of service in a state retirement system defined benefit pension plan
- II. The movement of a participant's 403(b) account from one vendor to another vendor that is part of the employer's plan
- III. Transfer of some of a 403(b) account from one employer's 403(b) plan to a different employer's 403(b) plan.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

31. Which of the following statements regarding the Form 5500 reporting requirements is/are **TRUE**?

- I. Plans sponsored by non-electing churches are required to file a Form 5500.
- II. The audit requirements applicable to other qualified plans will apply to ERISA 403(b) plans for plan years beginning after 2008.
- III. Plans sponsored by governmental organizations do not need to file a Form 5500.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

32. All of the following statements regarding types of post-employment contributions that can be made to a 403(b) plan are **TRUE, EXCEPT**:

- A. Employees may make elective deferrals from unused sick or vacation pay.
- B. Certain types of pay can be used for elective deferrals if paid before the end of the tax year of severance, or, if later, within 2½ months after the severance date.
- C. Employers may contribute up to 100% of an employee's includible compensation per year, subject to the IRC §415(c) limit, for up to five years following the year in which the employee terminates employment.
- D. Employees may make elective deferrals from buy-outs of individually negotiated contracts.
- E. Many school districts have established policies under which terminating employees receive employer contributions in lieu of unused sick leave.

33. All of the following describe employers, whose plans are statutorily exempt from ERISA, **EXCEPT:**

- A. Symphonies
- B. Church organizations as defined in ERISA §3(33)
- C. Municipal water districts
- D. Public schools
- E. State universities

34. Which of the following is/are types of pre-2009 403(b) accounts that do not have to be included in the employer's 403(b) plan?

- I. 403(b) accounts held by current employees with a provider that did not receive contributions for any employee on or after January 1, 2005 and is not included under the employer's plan as of January 1, 2009
- II. Accounts held by former employees as of December 31, 2008, excluding those transferred on or before September 24, 2007
- III. 403(b) accounts transferred under Rev. Rul. 90-24 on or before September 24, 2007

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

35. All of the following are distributable events in a governmental 457(b) plan, **EXCEPT**:
- A. Attainment of age 70½
  - B. Severance of employment
  - C. Emergency hardship
  - D. Attainment of age 55
  - E. One-time in-service small account balance distribution
36. Which of the following statements regarding non-church related IRC §501(c)(3) employer responsibilities for hardships, in-service distributions and QDROs in a 403(b) plan is/are **TRUE**?
- I. Employers may transmit information between service providers without losing their non-ERISA plan status.
  - II. Employers who certify hardship and in-service distributions will subject their plans to ERISA.
  - III. Employers who determine whether an order is a QDRO will subject their plans to ERISA.
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III

37. All of the following statements regarding purchasing service credits in a state system defined benefit plan are **TRUE, EXCEPT:**
- A. Many state retirement systems allow participants to transfer 403(b) and 457(b) account values to purchase service credits in their defined benefit plans.
  - B. Participants are not permitted to purchase “air time,” or enhancement of benefits for service already earned and credited.
  - C. Participants do not need to incur a distributable event from the 403(b) or 457(b) plan to purchase service credits.
  - D. Participants purchase service credits to increase their benefits in a state’s defined benefit plan.
  - E. Participants may have multiple service credit calculation methods available to them.
38. All of the following statements regarding the contribution limits of a governmental 457(b) plan are **TRUE, EXCEPT:**
- A. Catch-up contributions may be available to participants who are age 50 or older.
  - B. Catch-up contributions may be available during the three years ending before the year in which the participant reaches his “normal retirement date.”
  - C. Governmental 457(b) elective deferral limits are not combined with 401(k) elective deferral limits.
  - D. Employees who are age 50 or older and participate in both 403(b) and governmental 457(b) plans may only contribute a catch-up contribution to one of the plans.
  - E. Employees who are eligible to participate in both a 403(b) and a governmental 457(b) plan may contribute \$16,500 (2009) into each plan, for a total of \$33,000.

39. All of the following statements regarding the irrevocable election requirements of eligible 457 plans are **TRUE, EXCEPT:**
- A. Governmental 457(b) plans are not subject to these requirements.
  - B. After making an election when distributions may begin, participants in a tax-exempt 457(b) plan may change that election before the distributions begin.
  - C. Tax-exempt 457(b) plan documents must state a fixed or identifiable time or event that triggers the participant's right to receive distributions.
  - D. These requirements are necessary in tax-exempt 457(b) plans to avoid the constructive receipt issues.
  - E. Participants always have the right to change their election at normal retirement age, as defined in the plan document.
40. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following actions taken by a member would be acceptable, **EXCEPT:**
- A. Makes full and timely disclosure to a principal of all sources of compensation received for services performed for such principal
  - B. Does not express a differing opinion to a client where another ASPPA member has already expressed an opinion
  - C. Takes reasonable steps to ensure that client materials are presented fairly, in order to minimize misuse or misinterpretation
  - D. Performs professional services with skill and care
  - E. Performs professional services only when qualified based on education, training or experience

41. Which of the following statements regarding the eligible rollover rules of governmental 457(b) plans is/are **TRUE**?
- I. Required minimum distributions are not eligible to be rolled over to another plan or IRA.
  - II. Fixed installment payments that are to be paid over ten years or longer are not eligible to be rolled over to another plan or IRA.
  - III. There is a mandatory 20% federal income tax withholding requirement applicable to a distribution that is eligible to be rolled over but is distributed directly to the participant.
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III
42. All of the following statements describe activities that would cause a 403(b) plan sponsored by a tax-exempt organization to be subject to ERISA, **EXCEPT**:
- A. Plan allows for salary reduction and employer contributions.
  - B. Employees are required to participate in the plan.
  - C. Plan sponsor maintains a written plan document.
  - D. Plan sponsor approves loans and administers loan program.
  - E. Plan sponsor certifies hardship withdrawals.

43. Based on the following information, determine the latest date that Participant A could take the first RMD from a governmental 457(b) plan:

- Participant A was born on February 2, 1935.
- Participant A's date of hire was September 15, 1982.
- Participant A retired from his job on July 1, 2006.

- A. April 1, 2005
- B. April 1, 2006
- C. December 31, 2006
- D. April 1, 2007
- E. December 31, 2007

44. All of the following statements regarding includible compensation in a 403(b) plan are **TRUE, EXCEPT:**

- A. Includible compensation includes amounts earned in the most recent period of 12 months of service, reduced by mandatory pre-tax contributions made to other plans of the employer.
- B. Includible compensation for a half-time employee will look back for a period of two tax years (to equal one full year).
- C. Includible compensation for a mid-year retiree will include the portion of the previous year's income necessary to capture 12 months of salary.
- D. Includible compensation excludes bonuses.
- E. The limit for employer and employee contributions (not including catch-up contributions) is 100% of includible compensation capped at the annual limit.

45. ASPPA members must conduct their business so that they meet the high standard of professional integrity as stated in the ASPPA Code of Professional Conduct. According to that Code, all of the following actions taken by a member would be acceptable, **EXCEPT**:
- A. Prepares information regarding different plan designs to present to a client
  - B. Discusses plan design and investments with a client, if the member maintains the appropriate securities licenses
  - C. Discusses fees paid by other clients with a prospective client to show that proposed fees are competitive.
  - D. Offers to perform a fee analysis of the current plan for a prospective client
  - E. Uses membership titles and designations only where that use conforms to the practices authorized by ASPPA
46. Which of the following statements regarding non-ERISA 403(b) plans being subject to creditors is/are **TRUE**?
- I. A participant's account is protected in the event of individual bankruptcy.
  - II. Loans are not discharged as a result of individual bankruptcy.
  - III. General creditors may still have some access to a participant's account under state law prior to the filing for individual bankruptcy.
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III

47. Based on the following information, determine the maximum elective deferral that Participant A can contribute to the Hospital's 403(b) plan in 2009:
- Participant A has worked full-time for 17 years at the County Hospital.
  - Participant A is age 55 and her salary is \$75,000.
  - In previous years, Participant A has contributed \$70,000 in elective deferrals to the Hospital's 403(b) plan.
  - In previous years, Participant A had contributed \$6,000 that was attributable to the 15 years of service catch-up contribution.
  - The Hospital's 403(b) plan document includes the age 50 and 15 years of service catch-up provisions.
- A. \$16,500  
B. \$19,500  
C. \$22,000  
D. \$23,500  
E. \$25,000
48. All of the following are additional requirements that may apply to a tax-exempt entity's ERISA 403(b) plan but not to its non-ERISA 403(b) plan, **EXCEPT**:
- A. Eligibility and participation rules for employer contributions
  - B. Vesting rules
  - C. SPD must be provided to participants and beneficiaries
  - D. Employee participation must be voluntary
  - E. Joint and Survivor requirements

49. Which of the following is/are types of entities that can sponsor a governmental 457(b) plan?

- I. Federal government
- II. State government
- III. Local government

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

50. All of the following statements regarding DROP option governmental defined benefit plans are **TRUE, EXCEPT**:

- A. It is a plan design that affects participants who would otherwise be entitled to retire and receive benefits, but instead continue to work.
- B. At retirement, participants will receive the greater of the DROP account value or the accrued benefit in the defined benefit plan.
- C. Participants have an amount credited during the year into a separate account under the employer's defined benefit plan.
- D. There are several methods that a DROP plan may use to credit interest to a participant's account.
- E. A DROP plan may mandate that the participant may obtain the DROP benefit only by severing service at the end of the DROP period.

51. All of the following are types of investment and insurance options that may be offered in a 403(b) plan, **EXCEPT**:
- A. Annuities
  - B. Stock mutual funds
  - C. Individual stocks and bonds
  - D. Stable value funds
  - E. Separate life insurance contracts issued before September 23, 2007
52. All of the following statements regarding the reporting and withholding requirements of elective deferrals in a 403(b) plan are **TRUE, EXCEPT**:
- A. Pre-tax elective deferrals are not subject to federal income tax withholding.
  - B. Pre-tax elective deferrals are not subject to state income tax withholding, except in New Jersey and Pennsylvania.
  - C. Pre-tax elective deferrals are reported on the employee's Form W-2 using a special code for 403(b) contributions.
  - D. Designated Roth 403(b) contributions are not subject to federal withholding.
  - E. Designated Roth 403(b) contributions are reported on the employee's Form W-2 using a special code for Roth contributions.

53. All of the following statements regarding requirements that a tax-exempt entity's 403(b) plan must satisfy to be exempt from ERISA are **TRUE, EXCEPT**:
- A. Rights under the 403(b) plan must be enforceable solely by the employee, his or her beneficiary, or by an authorized representative of the employee or beneficiary.
  - B. Elective deferrals are permitted, employer contributions are not.
  - C. The plan sponsor must be responsible for selecting and monitoring investments.
  - D. Participation must be voluntary.
  - E. Employer involvement must be restricted to certain activities.
54. All of the following statements regarding DROP option governmental defined benefits plans are **TRUE, EXCEPT**:
- A. For participants electing the DROP program, normal benefit accruals will cease.
  - B. Employers may adopt DROP plans in an effort to retain valuable employees who are eligible to retire.
  - C. DROP plans allow participants who have maxed out on the benefit under a defined benefit plan to continue to accrue benefits under the DROP arrangement.
  - D. DROP plans allow participants to drop out of the defined benefit plan and choose their own investments for the DROP contributions.
  - E. The DROP benefit may be available to the participant in a lump sum payment.

55. Which of the following statements regarding includible compensation used in a 403(b) plan and 457(b) plan is/are **TRUE**?

- I. Includible compensation in a 457(b) plan includes elective deferrals to 403(b) and 401(k) plans but excludes contributions to a 125 cafeteria plan.
- II. Includible compensation in a 403(b) plan includes all amounts earned in the most recent period that counts as a full 12 months of service, reduced by mandatory pre-tax contributions to other retirement plans of the employer.
- III. Includible compensation in a 457(b) plan includes all amounts received by the employee during the calendar year reduced by IRC §414(h) pick up contributions into the employer's defined benefit plan.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

56. All of the following statements regarding nondiscrimination rules that apply to an ERISA 403(b) plan are **TRUE, EXCEPT**:
- A. The universal availability requirement serves as the nondiscrimination test for elective deferrals made into a 403(b) plan.
  - B. Employer matching contributions and after-tax employee contributions must be tested using the ACP test.
  - C. Employer contributions such as a discretionary employer contribution must satisfy IRC §§401(a) and 410(b) testing.
  - D. The maximum contribution rules under IRC §415(c) apply.
  - E. The top-heavy rules of IRC §416 apply.
57. All of the following employees may be excluded from participating in the elective deferral portion of a 403(b) plan, **EXCEPT**:
- A. Employees who are eligible to participate in another elective deferral plan or 457(b) plan
  - B. Nonresident aliens
  - C. Students performing services described in IRC §3121(b)(10)
  - D. Part-time employees
  - E. Employees who normally work less than 20 hours per week

58. All of the following are services that a Third Party Administrator may provide for a non-ERISA 403(b) plan, **EXCEPT**:
- A. Process benefit claims, loan requests and loan repayments
  - B. Determine if DROs are QDROs
  - C. Perform contribution calculations to ensure compliance with IRC §402(g) and IRC §415
  - D. Prepare the Form 5500 and SAR
  - E. Prepare plan documents
59. All of the following statements regarding contract exchanges in a 403(b) plan are **TRUE**, **EXCEPT**:
- A. An exchange occurs when the participant is permitted to move all or some portion of a 403(b) account from one employer's 403(b) plan to a different employer's 403(b) plan.
  - B. An exchange is the movement of all or some portion of a 403(b) account held with one vendor to another vendor that is a part of the employer's plan.
  - C. An exchange can be done without severance from employment, age 59½ or any other distributable event.
  - D. There is no requirement that a 403(b) plan permit exchanges.
  - E. An exchange must be done directly from one provider to another provider.

60. All of the following are included in the definition of includible compensation for 457(b) plans, **EXCEPT**:
- A. Amounts received by the participant during the calendar year reduced by IRC §414(h) pickup contributions made into the employer's defined benefit plan
  - B. Compensation for services performed for the employer that is includible in the participant's gross income, excluding salary reduction contributions made to the employer's benefit plans
  - C. Amounts paid to a terminated employee if the amounts are paid no later than the end of the tax year in which termination occurred, or if later, within 2½ months following the end of that tax year
  - D. Back pay to a terminated employee that represents payments that would have been received had the employee not terminated employment
  - E. Bonuses payable to a terminated employee that represent payments that would have been received had the employee not terminated employment
61. Which of the following is/are issues that an employer maintaining a non-ERISA 403(b) should consider before selecting a single provider?
- I. Potential for increasing or creating fiduciary liability
  - II. Due diligence that must be done on an on-going basis to ensure that the provider is a prudent choice
  - III. Unions may protest the loss of investment choices for the employees
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III

62. Which of the following is/are types of entities that can sponsor a 457(b) plan?

- I. “Steeple” churches
- II. IRC §501(c)(3) organizations
- III. Any type of tax-exempt organization

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

63. Which of the following statements regarding contribution limits to a 403(b) plan is/are **TRUE**?

- I. IRC §415 imposes a limitation on the total amount that can be contributed into an employee’s 403(b) account.
- II. Catch-up contributions are not counted towards the IRC §415 limit.
- III. Employer contributions, employee elective deferrals and forfeitures are included in the IRC §415 limit.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

64. Which of the following statements regarding involuntary cash-outs from 403(b) plans is/are **TRUE**?

- I. Plans may automatically rollover vested account balances greater than \$1,000 and no more than \$5,000 into an IRA absent a participant election.
- II. Plans may cash-out accounts only if the participant has worked for the employer less than one year.
- III. Plans may cash-out accounts less than \$1,000, directly to the participant.

- A. I only
- B. II only
- C. I and III only
- D. II and III only
- E. I, II and III

65. All of the following statements regarding why an employer may consider adding Roth provisions to a 403(b) plan are **TRUE, EXCEPT**:

- A. The contribution limits for the Roth 403(b) are higher than the contribution limits for the Roth IRA.
- B. Participants can defer more into a Roth 403(b) plan, than a 403(b) plan that does not allow Designated Roth contributions.
- C. There are no income limits that a participant must satisfy to make Roth 403(b) contributions, unlike the Roth IRA.
- D. Roth 403(b) contributions may be advantageous to a participant who believes that he or she will be in a higher tax bracket after retirement.
- E. Participants may be motivated to save if they have the ability to build a tax-free source of funds.

66. All of the following statements regarding nondiscrimination rules applicable to ERISA 403(b) and 401(k) plans are **TRUE, EXCEPT**:
- A. After-tax employee contributions and employer matching contributions must satisfy the ACP test.
  - B. Employer contributions are subject to the compensation limits of IRC §401(a)(17).
  - C. Employer contributions are subject to the coverage tests of IRC §410(b).
  - D. Elective deferrals are subject to the universal availability requirement.
  - E. Employer contributions are subject to IRC §401(a)(4) general nondiscrimination testing.
67. All of the following statements regarding terminating a 403(b) plan are **TRUE, EXCEPT**:
- A. Generally, the regulations to terminate a 403(b) plan are the same as for a 401(k) plan.
  - B. Plan assets must be distributed as soon as practicable, but within a reasonable period of time.
  - C. The final 403(b) regulations give employers a safe harbor procedure to follow to ensure that their plan terminations will be considered successful by the DOL.
  - D. Terminating a non-ERISA 403(b) plan may be difficult as the employer may not be aware of where all plan assets are held.
  - E. All current and former participants' accounts must be distributed to complete a plan termination.

68. All of the following are types of information and materials that must be provided to participants in ERISA 403(b) plans, **EXCEPT**:
- A. SPD
  - B. Semiannual account statements
  - C. Eligibility and participation requirements
  - D. Claims procedures
  - E. SAR
69. All of the following are types of organizations that may be eligible to sponsor a 403(b) plan, **EXCEPT**:
- A. United Way Agency
  - B. Certain Charter Schools
  - C. District or County Hospitals
  - D. K-12 Public School Districts
  - E. Chamber of Commerce

70. All of the following statements regarding 403(b) salary reduction agreements (SRAs) are **TRUE, EXCEPT**:
- A. Employers may choose how often participants may change their SRA elections.
  - B. SRAs allow participants to make elective deferrals from amounts received after severance from service which are attributable to unused sick leave or vacation pay that would have been received had they remained employed.
  - C. SRAs are only applicable to amounts before they are paid or made available.
  - D. Participants do not need to designate on the SRA whether the elective deferral will be made pre-tax or after-tax, this election can be made at year end.
  - E. Many 403(b) providers have SRAs that they will share with employers.
71. Which of the following is/are types of pre-2009 403(b) accounts that must be included in a 403(b) plan?
- I. Accounts held by current employees that did receive contributions for any employee after December 31, 2004 where the provider is not a designated provider after December 31, 2008
  - II. 403(b) accounts transferred under Rev. Rul. 90-24 on or before September 24, 2007
  - III. Accounts that were exchanged from one 403(b) to another 403(b) on and after September 25, 2007 and before January 1, 2009 to a provider that has entered into an information sharing agreement with the employer
- A. I only
  - B. II only
  - C. I and III only
  - D. II and III only
  - E. I, II and III

72. All of the following statements regarding the rules and eligibility requirements of the 15 year catch-up limitation in a 403(b) plan are **TRUE, EXCEPT**:

- A. Employee must be employed by specific types of employers, including hospitals and religious organizations.
- B. Employee must complete 15 or more years of service with current employer.
- C. Employee must not have contributed on average, \$5,000 or more for each year of service to any elective deferral plan of the employer.
- D. The total catch-up amount used with the current employer cannot exceed in the aggregate \$15,000.
- E. Employee cannot use the 15 year catch-up limitation and make an age 50 catch-up contribution in the same year.

73. All of the following statements regarding the taxation and reporting of contributions into a 403(b) plan are **TRUE, EXCEPT**:

- A. Employer contributions are not subject to federal or state income tax withholding.
- B. Employer contributions are subject to payroll taxes including FICA and Medicare.
- C. Employer contributions are not reported on the employee's Form W-2.
- D. Pre-tax elective deferrals are reported on the employee's Form W-2.
- E. Designated Roth contributions are reported on the employee's Form W-2.

74. All of the following statements regarding 457(b) plan documents and government filings are **TRUE, EXCEPT**:
- A. A board resolution may be used to authorize the establishment of a 457(b) plan.
  - B. Many state and local statutes require governmental employers to receive IRS approval of their 457(b) plans.
  - C. Government employers have a reporting requirement that can be satisfied by filing a statement of information with the DOL.
  - D. Employers seeking approval of their plan documents may obtain a private letter ruling from the IRS.
  - E. Tax-exempt employers have a reporting requirement that can be satisfied by filing a statement of information with the DOL.
75. All of the following statements regarding loans from both ERISA and non-ERISA 403(b) plans are **TRUE, EXCEPT**:
- A. Failure to repay the loan may result in the loan being taxable and subject to the 10% additional income tax on early distributions.
  - B. Loans may be made for any reason, however the plan may impose specific restrictions.
  - C. Loan repayments must be made at least quarterly.
  - D. The minimum loan requirement can be no greater than \$1,000.
  - E. Not all annuity contracts or custodial accounts allow for loans.

**END EXAMINATION**